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## LATIN AMERICA REPORT

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## BRAZILIAN PRESIDENT EXPRESSES CONCERN OVER TERRORISM

Lima EL COMERCIO in Spanish 25 Jun 81 p 4

[Text] Last night, Brazilian President Joao Baptista Figueiredo pointed out the similarity in the national renewal processes which Peru and Brazil are undergoing, while at the same time repudiating extremism and violence, according to a report from the official news agency.

At the banquet tendered in his honor by President Fernando Belaunde Terry, at the Government Palace, he remarked: "It is our desire to establish authentic types of democratic coexistence born of national experiences."

After noting that both nations are pursuing the path of democracy in their own directions, the visiting president stated: "We must be prepared to surmount the obstacles which will arise in our path toward democracy."

He observed: "The solution to those problems will depend on the strength of the real consensus. Our democratic leaning scorns political notions that are not sought in dialog."

He claimed that both governments "are bent upon proving that calm political action, within the bounds of legality, is the most effective way to discourage extremism, and is the best means of creating conditions that will allow democratic action, party pluralism and open discussion to be the normal elements in the life of the two nations."

He added: "In the international area, we view with concern the use of violence, whether as a shield for the defense of the established order, or as a means of forcing its transformation."

Figueiredo declared: "Obviously, the confrontation between legality and violence, between dialog and intolerance, and between participation and exclusion, is not confined to our countries, nor to Latin America." He expressed the view that the universality of the phenomenon "has made uniform treatment for matters which appear to have different causes unfeasible."

He stressed: "Hence, it has become essential to mobilize consciences against the acceptance of violence, whatever its origins or motives may be. There are no ends which justify it, and one cannot be unjust in the battle for justice."

In commenting on the likeness between the two nations in their insistence on development, the Brazilian ruler stated: "We can accrue from bilateral cooperation an additional impetus for the fulfillment of our ideals."

Figueiredo told Belaunde that Brazil "has great hopes for Your Excellency's personal contribution to the renewal of the historic bonds of fraternal friendship which unite our countries."

He added that he observes in Belaunde's personality "the harmonious result of two complementary features: that of the statesman dedicated to structural reforms, and that of the objective man, impassioned by great plans and undertakings of great magnitude."

He then remarked that his Peruvian colleague's efforts to promote the building of roads and the colonization of the Amazon jungle are courses of action similar to those being pursued by Brazil, and he lauded the effort for integration represented by the Amazon Cooperation Treaty.

He proposed lending a new impetus to bilateral cooperation, and the pooling of efforts in the areas wherein the Amazon region requires solutions. He mentioned the creation of new options in trade, culture, science and technology.

He said: "There is an urgent need to set up an infrastructure for transportation and communications, as well as to devise our own systems for making use of the natural resources which exist in the region."

Figueiredo devoted part of the address to an acknowledgment of the role played by Peru in the internationalization of the theory of the 200 marine miles, and the effort for integration in the Andean Pact market.

He added: "The Peruvian contribution to the effort for rapprochement between Brazil and the Andean Group has been noteworthy as well."

He declared: "Throughout the centuries, the bonds which united us to the mother countries forced us to turn our backs on one another."

Figueiredo said: "Now we must look ahead, as brothers who must approach one another. The meeting of which I am speaking is not part of an agenda for the future. Our meeting is the order of the day."

2909

CSO: 3010/1494

## BELAUNDE: FIGUEIREDO'S VISIT TO STRENGTHEN RIO PROTOCOL

Lima EL COMERCIO in Spanish 25 Jun 81 p 4

[Text] Yesterday, President Fernando Belaunde Terry stressed the fact that the visit by his Brazilian colleague, Joao Baptista Figueiredo, would result in a strengthening of the Rio Protocol, because, he claimed, "both the Brazilian position and that of Peru are based on respect for the treaties."

His remarks were confirmed by the minister of foreign relations, Javier Arias Stella, who declared that the joint declaration which both countries will sign tomorrow, "will include in the political section a unification of positions regarding the treaties."

Belaunde Terry held a dialog with the foreign and native newsmen at an informal press conference which he held after receiving for the first time at the Government Palace the Brazilian president with whom he conversed privately for a period of 27 minutes.

With regard to his colleague's personality, he said that the latter was "a very warm, pleasant, cordial person, receptive to the people's warmth."

During the questioning to which he was subjected, particularly by foreign newsmen, Belaunde Terry discussed aspects of national policy, such as terrorism and the importance and significance of the Brazilian president's visit.

#### Terrorism

Upon being asked by a Brazilian reporter about the terrorism in the country, he remarked: "Fortunately, we in Peru have a terrorism against what is material, not against what is human." He noted: "We must state this with a certain amount of calmness." He emphasized the fact that the Peruvian people "repudiate violence," after commenting that, in Peru, "they have not gotten very far with it."

In reference to his second presidential term, he said: "I am the antichesis of violence, and I have reached this position twice."

#### Brotherhood

Belaunde Terry also said that there is in the country a complete brotherhood between the government and the people.

He claimed: "I do not mean that there is unanimity, because there never is that in politics, but this is a country in which I can travel around anywhere."

#### Return

He gave a reminder that, for the return of civilians to power, there was a "pooling of popular forces and military forces, based upon respect for the people's wishes."

Belaunde Terry remarked that, in this regard, there is a similarity between Peru and Brazil. He recalled that the former head of the Military Junta, Gen Francisco Morales Bermudez, convoked a Constituent Assembly, which resulted in the new Constitution signed by Victor Raul Haya de la Torre.

He added that this Constitution "received the official approval for implementation from my own government."

#### Experience

Underscoring the Figueiredo visit, he said that Brazil has a highly important role to play on the continent, commenting: "It is a country with industrial and economic experience, which it must turn over to other nations, such as ours."

He stressed the fact that the Brazilian president's 4-day visit would be one of "intensive work," and would be marked by a joint declaration.

He also reminded his audience that Brazil has been contributing in the field of energy, exemplified by the Charcani V Hydroelectric Project, in Arequipa, which will be visited tomorrow by that country's minister of energy and minister of transportation and communications.

Moreover, he emphasized the "instantaneous friendship" that he had achieved with his Brazilian colleague, which "I ardently wish to be extended to each and every Brazilian."

2909

CSO: 3010/1494

## PERUVIAN-BRAZILIAN MINISTERS COMMENT ON AMAZONIAN HIGHWAY

Lima EL COMERCIO in Spanish 25 Jun 81 p 6

[Text] Major economic importance has been attached to the future road interchange between Peru and Brazil, through the towns of Inapari, in Madre de Dios, and Asis, on Brazilian territory.

This was emphasized, separately, by the ministers of transportation and communications of Peru and Brazil, Fernando Chavez Belaunde and Eliseu Resende, respectively. The Peruvian minister said that this is a road of "particular importance," when he was interviewed by Brazilian reporters.

He explained that, at the present time, there are some difficulties relating to commercial exchange owing to the limited frequency of the service by the shipping companies which operate between the shipping coast in southern Brazil and the Peruvian shipping coast.

He noted that, when there is a highway, much of the material coming from Brazil, and that exported by Peru, will be possible to transport over this land route.

He remarked that Brazil will also be able to have connections, not only with Bolivia, but also with Chile, Ecuador, Colombia and Venezuela.

He said that the total length of the trans-Amazonian highway from Lima to the Brazilian border will be 1,850 kilometers, of which 500 kilometers have been paved and 1,300 comprise a compacted highway. About 70 kilometers still remain to be constructed.

He also announced that it is planned, in 1982, to finish the construction of a section between Mavila and Iberia, and hence it will be possible to establish the physical connection.

Furthermore, he stated that there already exists in the country the complete infrastructure for the construction of the Brazil bridge over the Madre de Dios River.

In conclusion, he stressed that, by mid-1984, it will be possible for any vehicle to travel from Lima to the Brazilian border.



## The Brazilian Minister

The Brazilian minister of transportation, Eliseu Resende, stated that an agreement would be signed between the two countries, establishing the locations on the border at Inapari, in Peru, and in Asis, for the highway interconnection that has been planned.

He explained to the Peruvian press that, on the Brazilian side, the highways already have constant traffic, and have been paved in several sections.

He noted that the paving has been started on the section between Cuiaba and Porto Velho, over an expanse of 1,500 kilometers; commenting: "This will represent an investment of \$500 million."

He underscored the importance of the construction of the Brazil bridge in Porto Maldonado, which will be over 500 meters long. He remarked: "It is important to complete this connection between the two countries."

2909

CSO: 3010/1494



## UNITED PEOPLE'S COALITION SELECTS ELECTORAL SLATE

San Jose LA REPUBLICA in Spanish 24 Jun 81 p 7

[Text] Mario Devandas Brenes, representing the United People's coalition, has announced that the United People's coalition is preparing, with its presidential candidate and its slate of candidates for deputy and councilman posts, to participate fully in the election campaign on a platform of political struggle intended by contributing to a search for a solution to the difficult problems of the country's workers.

The United People's coalition, whose presidential candidate is Dr Rodrigo Gutierrez, has nominated Joaquin Gutierrez Mangel and Dr Arnoldo Mora as candidates for vice presidents.

It has nominated the following to the principal deputy posts: for San Jose, Eduardo Mora Valverde (VP [People's Vanguard]), Sergio Ardon (MRP [People's Revolutionary Movement]) and Dr Alvaro Montero Mejia (PS [Socialist Party]); for Alajuela, Dr Fabio Villalobos (PS); for Heredia, Miguel Sobrado Chaves (VP) and Luis Fernando Alfaro Zuniga (PS); for Limon, Freddy Menendez (VP); for Puntarenas, Arnoldo Ferreto Segura (VP); for Guanacaste, Mario Sancho Barrantes (MRP), and for Cartago, Rafael Salas (VP).

The candidates for popular election posts were selected by their respective parties and are members of People's Vanguard, the People's Revolutionary Movement and the Socialist Party. Their nomination was confirmed by the political committee consisting of Rodrigo Gutierrez as chairman, Mario Devandas as vice chairman and Sergio Ardon as secretary general.

The first post on the San Jose councilmen's slate is held by Albino Devandas Brenes.

The United People's coalition has the right to withdraw 6.5 million colons as the state's contribution to the parties' campaigns, but it is believed that its financing will be increased by two more million with contributions by its affiliates.

Legislator Mario Devandas said that "we shall start our struggle by discrediting the statements that try to tie us to the recent terrorist acts."

He said that United People consists of parties whose course of struggle is recognized by the people of Costa Rica.

He added that a roundtable participated in by Jose Figueres, Dr Montero Mejia and Guillermo Malavassi was scheduled for yesterday. "United People will emphasize that terrorism in Costa Rica is started from the right and for the exclusive benefit of the oligarchy and United States imperialism."

10,042

CSO: 3010/1421

## BRIEFS

**CUT CALLS STRIKE**--The Unified Federation of Workers (CUT) is calling on the leaderships of the 60 labor unions and associations composing it to conduct coordinated progressive strikes, starting next month, if the central government does not settle favorably at least most of the petitions submitted to it in writing several weeks ago, for the purpose of stopping the constant increase in the cost of living and the freeing of basic consumer products. The progressive strikes called for by the CUT might be held, the first one, on 9 July (Thursday) and might last 24 hours. Nevertheless, some leaders of the Workers Federation believe that the first strikes should not last over 4 hours. If the petitions are disregarded, the second work stoppage would take place a week later, on 16 June. A specific date has not yet been set for starting an indefinite strike that would be the last stage in the action being organized as a measure of pressure, in order to obtain the advantages requested of the central government. At the same time, the directors of CUT are making an effort to bring about unity of the workers in the scheduled actions, because some very large labor unions do not belong to the federation, as well as some associations of educators and other public employees. [Text] [San Jose LA REPUBLIC in Spanish 23 Jun 81 p 2] 10042

**UNEMPLOYMENT APPROXIMATELY 10%**--A study made recently by a government department and that has not yet been published reveals that the unemployment rate is close to 10 percent and that it will probably amount to 15 percent by adding invisible unemployment and visible and invisible underemployment. At present, there are 90,000 persons visibly unemployed all over the country. The study adds that the problem is not exactly the lack of work but rather the lack of placement mechanisms. At present, there are 10,000 textile workers without a job and it has not been possible to relocate them. These data were obtained by the government department on the basis of the survey of homes conducted by the Ministry of Labor. The report also adds that, in the period of a year, the employment office of the Ministry of Labor received 9,000 work requests but that only 2,000 were filled and no case was followed up. [Text] [San Jose LA REPUBLIC in Spanish 21 Jun 81 p 2] 10042

CSO: 3010/1421

## FURTHER REPORTAGE ON NEW GENERAL WAGE REFORM

Havana VERDE OLIVO in Spanish 17 May 81 pp 28-31

[Article by Jose Casanas Reyes: "Stimulus for Greater Contributions"]

[Text] In 1980 our government passed the RGS [General Wage Reform] to contribute to the application of the principle of socialist distribution based on the quantity and quality of the work of each person.

As of 28 February 1981, the measure has been carried out in 1,489, or 53.5 percent, of the enterprises in the country. Of those, 1,173 implemented it in 1980 and the rest, 316, implemented it in the first 2 months of 1981.

According to the Main Report of the Second Party Congress read by the first secretary, Commander in Chief Fidel Castro, when this RGS is fully applied, it will represent an increase in wages of about 670 million pesos annually.

This report stated: "The reform improves the wages of the lower-income workers." Its application is based on improved work organization, standardization and tying wages to yield.

As of the date mentioned above, about 1.6 million workers, 62 percent of the total employed, receive wages under the RGS. Of these, 1,242,023 are in the enterprises and the rest work in the budgeted units.

## Objectives of the RGS

The RGS seeks greater agreement between social interests and individual interests as a stimulus to greater contributions from each worker.

Another of its fundamental objectives, as was already stated, is to benefit the lower-income workers while it plans to increase the higher wages to stimulate the more skilled technicians.

In this way, the RGS will provide greater distribution on the technical personnel scale, a category that has developed a great deal in the last decade. At the same time, it will establish payment for work and not for the degree since the degree is a requirement for the position.

Another objective of the RGS is to provide better distribution of the work force in priority regions and sectors for national development through material stimuli and to promote the constant training and requalification of the work force.

The RGS also has the objective to be tied to increased productivity, labor discipline and greater economic efficiency, to the integral effort that leads to work organization and standardization.

#### Positive Balance

Strict adaptation to the policy that there be no more workers in a center than required for the production plan is extremely important for the materialization of these objectives. It is very important to plan so that the increases in productivity are greater than the increases in the average wage, the main source of socialist accumulation, and to require strict control of the wage fund.

The average gross monthly cost for the application of the wage measures of the RGS (cost of the measures without deducting savings produced by revised standards, decreased number of workers, decreased extra pay and standardization and tie) rose to 28,646,700 pesos with 24,213,200 corresponding to the enterprises and 4,433,500 pesos to the budgeted units. There was a savings of 10,928,500 pesos a month.

As had been foreseen, the cost of the application of the RGS thus far presents a positive balance since 38 percent was paid for by the savings achieved basically through the number of revised standards, the number of workers who began to receive wages for yield, savings in the number of workers, decreased extra pay, etc.

#### Payment for Work, Not for Degree

The organisms that have the greatest number of workers benefited by the application of the RGS are MINAZ (Ministry of the Sugar Industry) and the Ministry of Agriculture with 336,584 and 338,300 respectively. The RGS is also in effect in the territorial delegations of both ministries, in the main offices for fodder and agriculture as well as in the main office of MINAZ.

This April delays in the implementation of the RGS in establishments with less than 25 workers, caused by problems in classification, as well as in some budgeted units had to be resolved.

The elaboration of new qualifications for technical positions is the largest and most complex task of the RGS. After completing the methodology for the evaluation of the work of the basic, intermediate and advanced technical positions, the CETSS (State Committee for Labor and Social Security), along with the national unions, the CTC (Central Organization of Cuban Trade Unions) and the organisms of the Central State Administration, started to work on elaborating these qualifications. This is being done for the first time for these categories of workers through an analytical method of work evaluation.

The RGS introduces the greatest number of changes precisely in the occupational category of technicians since it changes payment for degree to payment for work complexity; this is reflected in the description of the work content of each position. The degree becomes part of the requirements for the position.



This form of wage organization of the technicians requires an in-depth study and balance between the different positions in order to avoid, as much as possible, having different wages for jobs of equal complexity and responsibility.

The mechanism of the so-called wage trident for technical occupations makes it possible for a technician in the same occupation to receive higher wages based on concrete results.

The trident is composed of three wages for each technical occupation. Those technicians who meet all the requirements—experience, skill, etc.—of the work evaluation receive the highest pay. If they do not meet all the requirements, the technicians can opt for the minimum or intermediate wage in the trident based on what they lack.

For all the reasons stated above, the CETSS has decided that, in the case of technicians, the qualifications will be applied experimentally for 1 year in order to analyze any incompatibility that may arise. It is foreseeable that, at the end of this time for implementation, some technicians will improve but others might go down.

#### Leadership Personnel and RGS

The leadership personnel of the enterprises where the RGS has been widely applied is already receiving benefits from this. Resolution No. 457 by the president of the CETSS establishes the mechanism so that the people in this sphere have the right to have it applied to them. Of course, the regulation states that, in order to be applied to the leaders of the enterprises, it first must be implemented for the laborers and service and administrative workers.

For the leaders of the other sectors—ministries, central organisms, etc.—the benefit is given based on the percentage of workers covered by the RGS.

There are plans to begin the application for this sector in July. The RGS will then be implemented to practically all the workers in the country.

In the category of leaders, the RGS includes required qualifications and years of experience for the personnel in those positions. There are two levels of wages depending on whether the evaluated leader meets all the requirements.

#### Laborers: Most Benefited

As can be seen, the RGS benefits all the occupational categories but those who receive the largest increases are the laborers tied directly to production and the service and administrative workers. Among the laborers, those in the first five groups on the scale receive the largest increases, whether they belong to the agricultural-livestock sector or to other sectors.

The new wage scale has 22 groups. Groups 1 to 5 consist of the laborers and workers who benefit the most since they have the greatest wage increases. Under the old rate, they had the lowest incomes.

This humane and revolutionary measure emanates from the state's concern to help the lowest-income workers in the first groups on the wage scale. In addition to



the increase that these workers receive directly from the new rates, there are other mechanisms like bonuses, payment for abnormal labor conditions and benefits for overfulfillment of norms.

The estimated increases for only the increased rates in the categories of laborers and service and administrative workers total 240 million pesos.

The RGS includes other wage mechanisms like the coefficient for socioeconomic interest. The first experience is being gathered in the sugar industry which has priority due to its importance for our economy.

As can be seen, the implementation of this important link in work organization--the RGS--progresses well. By July, practically all the workers in the country will benefit from its rates which are 10 percent higher on the average.

7717

CSO: 3010/1463

## BACKGROUND, DEVELOPMENT OF SOCIALIST ECONOMIC PLANNING DESCRIBED

Havana ECONOMIA Y DESARROLLO in Spanish Mar-Apr 81 pp 112-148

[Article by Jose Luis Rodriguez, Master and candidate Dr of Economic Sciences, Cuban citizen and researcher at the Center for Research in International Economics of the Republic of Cuba: "The Economy of Socialist Cuba"]

[Text] An understanding of the basic characteristics of the Cuban neocolonial economy is impossible without a general explanation of the particular aspects of the upsurge and development of capitalism in Cuba.

Unlike what happened in Europe, bourgeois relations developed in a large number of colonies on the basis of their integration in the world capitalist system as plantation economies.

These economic structures gave rise to production relations which were slave owning and semi-feudal in form, but dependent capitalist in content.

And so it was that in the case of Cuba, "...the capitalist economic structure did not emerge from the feudal structure, but from a slave-owning structure of a special type, which in a certain sense...was already capitalist, and it did not develop either solely or even principally on the basis of small goods production, but also on the basis of slave-owning commodity production."

Thus the orientation of the productive structure of the country with a view to satisfying world demand for sugar was the reason that through domination of its foreign trade, the domestic economy was indirectly dominated, through the purchase of its exports and the supply of imports essential for their reproduction.

When slavery ended in 1880, the basic product--sugar--was already dominated through foreign trade by the United States, which as of then and slowly at first--between 1880 and 1898--and more rapidly later--between 1898 and 1925 began to gain direct control of the Cuban economy.

It should be remembered that capitalism had entered into its higher imperialist stage of development at the end of the 19th century. The intervention of the United States in the war being waged by Cuban patriots against Spain in 1898 was one of the first manifestations of the policy of aggression characterising this stage.

"Thus Lenin regarded Cuba as the first victim of the imperialist war of plunder to divide up the world and the expansionist power of the imperialist monopolies in the United States. This Leninist thesis is the point of departure for the analysis of

more than half a century of Cuba's history and its situation in the imperialist system in the prerevolutionary period."<sup>2</sup>

With the upsurge of Yankee imperialism, Cuba became one of the first semicolonial countries with a constitutional clause--the Platt Amendment--allowing political domination of the country by the United States, which was supplemented by the Reciprocal Trade Treaty, launching new methods of economic domination which would subsequently be applied throughout the world.

Thus "capitalist production relations were developed, but under conditions characterized by domination by and subordination to the interests of the U. S. monopolies, which if indeed it led to a certain increase in our productive forces, also meant the consolidation and strengthening of the distorted structure of our economy, even greater underdevelopment--conditions which established the premises for an early manifestation of the contradiction between the requirements of development of the productive forces and production relations, now of a capitalist type with semifeudal characteristics, and the other characteristics they evidenced in the countries dominated by imperialism."<sup>3</sup>

The Cuban neocolonial economy thus came to accentuate the characteristics of underdevelopment which had been typical of it in the colonial stage, responding as before, but through new mechanisms of domination, to the requirements of the development of capitalism, first within the framework of the international system, and later, within that of the system of U. S. monopolies.

The general characteristics of the Cuban neocolonial model, from the economic point of view, could be summarized as follows:

"1. The structural distortion of the economy thanks to direct control by the United States, as a function of the production of sugar for the market dominated by that country. The Cuban economy came within a system of capitalist international division of labor of a new type, as a single product and single export (sugar) country, with multiple imports of U. S. goods.

With this distortion of the structure, U.S. investors were simultaneously assured of abundant cheap manpower, since by preventing any agricultural diversification and hindering industrial development, they created permanent unemployment which fed a sizable industrial reserve army.

Thus the decline in the average rate of profit in the home country was offset by the old-fashioned forms of exploitation and the poverty level wages the new system made possible."<sup>4</sup>

"2. The reproduction of the economic system was only feasible through the foreign sector, which made this process very vulnerable. Under these conditions, foreign trade was of particular importance for Cuba, because it was called upon to serve as a peculiar transforming process through which a significant part of the social product found its proper actual form. Only in this way could the necessary intersectorial links in the domestic economy be achieved."<sup>5</sup>

the Cuban neocolonial economy was to pass through two stages in the period covered between 1902 and 1958. The first stage can be defined as distorted growth, without economic development, and it lasted from 1902 to 1934. The second stage, from 1934 to 1958, can be viewed as one of crisis, with a clear trend toward economic stagnation.

In the first stage, the process of direct domination of the Cuban economy culminated in an intensive investment process pursued by the United States in order to guarantee that it would retain its assigned place in the system of international capitalist division of labor as a single production country (sugar) with multiple imports of U.S. products.<sup>6</sup>

In analyzing the composition of these investments in 1925, their strategic goal in terms of the sugar sector can clearly be seen, although this does not exclude the penetration of other key sectors for the economic development of the country.<sup>7</sup>

On the other hand, direct economic penetration was complemented by mechanisms of a trade nature capable of guaranteeing the domination of U.S. interests in all sectors of the national economy. This role was to be played by the 1903 Reciprocal Trade Treaty.

The economic growth which occurred between 1902 and 1925 made the distortions already present in the colonial economy more acute, due to the disproportionate and unilateral increase in sugar production.

The national income increased from 193 million pesos in 1903 to 708 million in 1925, representing an annual average increase of 6.1 percent.

The role of sugar production in the national income increased from 29 percent in 1905 to 42 percent in 1925.

Sugar, which accounted for 59 percent of the export value in 1905, came to account for 84 percent of it in 1925.<sup>8</sup>

The economic growth achieved up until 1925 was due to the expansion of the U.S. sugar market, where Cuba provided 52.2 percent of the supply in the period between 1922 and 1926.

This growth was sufficient to absorb the employment increase based on the increase in the population, and it even led to the import of a labor force from Spain and the Caribbean in order to be able to maintain an industrial reserve army which would guarantee low wage levels, thus assuring the viable functioning of the Cuban neocolonial economy.

When the expansion of the sugar market in the United States slowed in 1926, the Cuban economy entered into a phase of stagnation, first, and then crisis, since with the reduction of sugar exports to the United States the possibility of economic reproduction was dwindling, with, as a counterpart, a decline in the imports essential for it.

The world capitalist crisis in 1929-1933, which affected the U.S. economy significantly, had a multitude of repercussions on the Cuban economy, revealing its structural weakness.

National income dropped by 58.5 percent between 1925 and 1933. The role of sugar production in this total dropped from 42 percent to 18 percent in the same period. Also, the contribution of sugar to the value of exports dropped 10 percent in these eight years.<sup>9</sup>

In general, the economic crisis had the effect in Cuba of reducing income, heavily restricting sugar production, reducing foreign trade, increasing unemployment and living costs and leading to national economic reproduction on a simple and limited scale. These facts were to be the objective basis for the revolutionary situation which developed in 1933.

After the upsets of this period, not only did the potential for the expansion of the sugar industry dwindle, but a period of restrictions on use of the installed capacity began. Simultaneously, the distorted economic structure in the country was consolidated, preventing any diversification of production which would lead to new exportable funds or make the replacement of imports possible.

The increase in the population and the decreasing job opportunities based on these conditions led to the beginning of the crisis stage for the Cuban economy in 1934.

In August of 1933--in the midst of the economic crisis--the revolution against the Machado dictatorship broke out.

The U.S. imperialists and the domestic reactionaries succeeded in frustrating the revolution, but they did not fail to see in it the presence of dangerous forces of an anti-imperialist nature within the people working against their domination.

In their foreign relations and in particular those with Cuba, the government leaders in the United States saw that it was necessary to modify the mechanisms of domination in formal fashion to counteract the revolutionary trend which was rising dangerously in the country.

The New Deal policy became effective in Cuba as of 1934 thanks to the elimination of the Platte Amendment and the signing of a new reciprocal trade treaty, which was to prevail until it was replaced by the GATT agreement in 1947; control of the marketing of Cuban sugar in the United States through a quota system making it possible to maintain preferential prices independent of the world market; and the re-orientation of investments toward the sectors with greatest relative profitability.<sup>10</sup>

The solution devised by the oligarchic groups in the United States to attempt to retain domination of the Cuban economy and avoid a crisis found their best expression in the economic policy pursued by the dictatorship of Fulgencio Batista beginning in 1952.

This policy based the growth of the domestic market on the expansion of public expenditures, which were supposed to lead to an infrastructure favorable to U.S. investments other than in sugar and which--along with the profits of dependent industrial development--served as a compensatory element which would offset the effect of the crisis in the sugar sector.



All of this presupposed the maintenance of an agrarian structure based on large estate ownership, which would guarantee the existence of an army of farm wage earners capable of assuring the production of sugar, and an investment policy with a high capital coefficient in the cities in a volume sufficient to increase demand, without giving rise to job opportunities which would eliminate farm unemployment.

The economic policy pursued led to an inflationary expansion of economic activity which, given the open nature of the Cuban economy, was covered by the foreign exchange reserves accumulated temporarily during World War II.

Beginning in 1952, a process of growth without development began again, based no longer on the distorted expansion of sugar production, but on a policy of inflationary increase in non-sugar activities relying on an anticyclical concept, which not only failed to alter the productive structure of the country, but called for the highest degree of accentuation of its distortion.

The increase in national income from 1,626,000,000 pesos in 1947 to 2,140,000,000 pesos in 1958, with an annual average growth of 2.6 percent in this phase and an increase at an annual average of 3.5 percent between 1953 and 1958, apparent signs of economic development in the country,<sup>11</sup> were in reality the distorted reflection of the acute crisis in a Cuban neocolonial economy.

The results of this policy supposedly designed to develop the country economically were very different indeed.

A decline in foreign exchange reserves occurred due to the policy of inflationary expansion, which had a negative repercussion on the country's balance of payments, all this linked with an excessive increase in the public debt.

Almost all of the investments were concentrated on public works or basic products with a high capital coefficient, while only a tiny part went into agricultural industry, thus contributing to accentuating the unequal and distorted growth of the Cuban economy.

Plunder and speculation on the part of bureaucratic capitalism developed to an unbelievable level. It is estimated that the surcharges imposed varied between 30 and 50 percent of the reasonable value of the investments made.<sup>12</sup>

The development policy pursued was incapable of creating the new jobs needed by the country, since in 1958 there were 549,000 unemployed out of a labor force of 2,204,000.<sup>13</sup>

Finally, the domestic market contracted and living costs increased, especially for the rural workers and in particular those in the sugar industries, who did not feel the effects of any compensatory factors.

The compensatory expenditure policy definitively revealed the incapacity of the Cuban bourgeoisie to draft a strategy which would lead to economic development, and it even revealed regression as compared to some reformist solutions proposed earlier, which at least contained some elements of real economic development.



This policy was to synthesize the elements common to all the policy drafted by one sector of the Cuban bourgeoisie or another during this century, with the peculiarity that their worst limitations were exaggerated: the eminently anticyclical nature of the policy established; industrial and agricultural diversification only as a supplement to single crop sugar production; the unaltered nature of the economic and social structure of the country; and the unaltered nature of the relations of dependence on the United States.

The coup d'etat on 10 March 1952 created the conditions which made the need to destroy capitalist production relations in Cuba obvious, by exaggerating to the maximum all the contradictions inherent in the neocolonial regime and creating a revolutionary situation.

The contradiction between the level of development reached in productive forces and the nature of the production relations was expressed in Cuba in the 1950s in its neocolonial subjection to the U.S., which prevented autonomous capital development, closing off the potential for resolving the crisis by means of capitalist reform which would make possible expansion which was not based on sugar and which could launch a process of industrialization and agricultural diversification, in order thus to overcome--at least temporarily--two of the basic obstacles to the economic development of Cuba: seasonal unemployment and the large estate structure of land holdings.

The lack of even formal solutions to these contradictions--due to the opposition of the imperialists and the dominant strata of the Cuban bourgeoisie--led, on the basis of the revolutionary struggle of the people, to the destruction of the system of capitalist production relations in Cuba.

The last stage of the struggle for final independence began on 26 July 1953 with the attack on the Moncada Barracks led by Fidel Castro.

Then came the hard years of struggle which finally culminated in the 1 January 1959 victory, but the conditions for it had already been created.

Development of the Economy in the Popular Democratic, Agrarian and Anti-Imperialist Stage of the Cuban Revolution (1959-1960)

With the triumph of the revolution in January of 1959, real prospects for the development of an independent economic policy were opened up in Cuba for the first time.

However, the existing economic conditions in January of 1959 made the formulation of such a policy extremely complex.

The national picture when the revolutionary forces seized power could be defined in terms of the following characteristics:

1. Complete dependence on the U.S. imperialists, who controlled the basic export industry, 1,200,000 hectares of land (including, by their own admission, 25 percent of the best farm land), electrical energy, part of the dairy industry, fuel supply, and to a major extent, bank credit.

2. A predominantly agricultural economic structure, since the most important industry, sugar, was primary production with an agricultural base, and the balance of industry represented a very negligible volume, although to a certain extent greater than that in the underdeveloped countries in Asia, Africa and some others in Latin America.

3. An extensive farm economy, with large estate ownership, both for the properties of the foreign companies and those of the wealthy Cuban minority, with 114 large estate owners controlling 20 percent of the land, while a vast peasant mass lacking credit, subject to ruinous prices and oppressed by middle men lived in a process of alternate absolute and attenuated poverty for almost half a century.

4. Permanent and massive unemployment and underemployment, in a proportion much higher than that in other Latin American countries, affecting more than 25 percent of the labor force, with more than 600,000 unemployed in the "dead season" and 300,000 permanently unemployed. All of this was the consequence of an economic structure likely to continue and to grow more acute.

5. A totally open economy, in which each peso of production inevitably involves between 25 and 28 centavos of imports, and simultaneously presumed an equal percentage of exports. The single export activity (sugar) accounted for 80 percent of the total, with the geographic concentration of exports and imports, dependent 60 percent and between 75 and 80 percent, respectively, on the U.S. market.

The totality of all these comments defines the Cuba of 1959 for us as a semicolonial country, or if the new terminology is preferred, a neocolonized one.<sup>14</sup>

The single production and single export activity (sugar) and the reproduction of the system based on the foreign section, as the essential characteristics of the Cuban neocolonial economy, were to create such disproportions from the point of view of reproduction that a radical modification was impossible in the short run.

The low level of the development of the productive forces inherited by the revolution would be a key factor giving its peculiar characteristics to the process of establishing the material and technical base for socialism later.

Changes in Capitalist Production Relations in the First Stage of the Cuban Revolution

With the 1 January 1959 triumph, a profound social revolution began in Cuba.

For the first time, a political change which would alter the traditional balance among the social classes in the country came about.

The social classes in Cuba showed certain particular characteristics resulting from the system of domination to which the Yankee imperialists subjected the country. They determined the historical place and role each class or social group which was a part of it played in the struggle for political and economic power in the country.

The political regime was characterized in Cuba by the presence of a trio of reactionary social forces: the large estate owners, the upper sugar bourgeoisie and the upper bourgeoisie in the import trade.<sup>15</sup>

The large estate owners constituted the most reactionary social group in the bourgeoisie, with their existence based on an agrarian structure with semifeudal aspects, characterized by the extensive exploitation of the land and the existence of the very lowest labor productivity levels. This form of appropriation and exploitation of the land was linked with a system of exploiting the workers which combined semifeudal forms, such as sharecropping, with the exploitation of the farm proletariat under conditions characteristic of semislavery, above all in the cane growing sectors. To this segment of the Cuban bourgeoisie were added large estate owners from the United States.

The upper sugar bourgeoisie played the role of a minor partner of the United States financial oligarchy in the ownership of the sugar industries with the lowest productivity, linking their fate with the Yankee sugar interests.

The upper bourgeoisie engaged in the import trade adapted reactionary positions unrelated to the basic interests of the country beginning in the colonial era. During the neocolonial republic they linked their fate with that of the United States, as secondary beneficiaries of the reciprocal trade treaties which placed U.S. goods in Cuba at monopoly prices, obtaining broad profit margins and blocking any development of domestic industry or diversification of foreign trade.

The conditions of domination imposed by the U.S. imperialists and the domestic oligarchy prevented the development of nonsugar industry in Cuba and thereby, any possibility of autonomous, and to a certain extent independent, capitalist development like that of other countries in Latin America.

This led to feeble development of the industrial bourgeoisie not involved with sugar, whose basic interests were incompatible with those of the Cuban oligarchy and the Yankee imperialists, but who did not have the economic strength or the political courage to play the progressive role that might have fallen to them historically.

The lack of any development of capitalism with a domestic base unrelated to sugar led on the other hand to the feeble development of the nonagricultural workers class, which totalled only 400,000 individuals in the 1950s as compared to 100,000 sugar workers and 600,000 farm workers.<sup>16</sup>

These facts led to major differences between the urban and rural proletariat. However, the workers' struggle in general achieved great success between 1938 and 1947, leading to a relatively high level of income in nonsugar industries as compared with other Latin American countries, and these successes were able to mitigate somewhat the consequences of the cyclical development of the sugar industry.

The positions of the peasantry and the petit bourgeoisie in Cuba were equally distinctive.

In the rural areas, the peasantry included more than 200,000 families, of which 140,000 were made up of poor and semiproletarian peasants. In a country in which the large estate owners controlled 45 percent of the land, there was no possibility for the development of an average and rich peasantry.

From the class point of view, the position of the poor peasantry was close to that of the most exploited strata of the farm proletariat, leading to a coincidence of interests which would be of decisive importance in resolving the agrarian problem later. On the other hand, the average and even the rich peasants were subject to the same vicissitudes as the industrial bourgeoisie uninvolved with sugar.

The urban petit bourgeoisie reached substantial size beginning with the development of a broad strata of craft producers and tradesmen, as well as government employees and members of the so-called liberal professions. Their socioeconomic position, which was very close to the situation of the proletariat in periods of crisis, made it very susceptible to political radicalization, such that this group affirmed revolutionary positions on a number of occasions.

After 1 January 1951, political power in Cuba passed "into the hands of an alliance of the people's masses, in which the interests of the workers' class and the working peasantry represented by the victorious rebel army and its revolutionary leadership played a dominant role."<sup>17</sup>

It was the most progressive classes--first of all the workers' class, in close alliance with the peasantry--which ensured the profoundly radical nature of the Cuban revolution in its first phase, when it undertook the real solution, historically, to the contradiction between the development of productive forces and capitalist production relations in our country.

The real solution to the contradiction between the level of development of productive forces and the nature of the capitalist production relations--the product of relations of dependence on the Yankee financial oligarchy and the decrepit economic structure which sustained and supported it--demanded an anti-imperialist, agrarian, democratic and popular revolution.

The essence of the most important economic changes in this stage was thus provided first of all by the need to break with the decrepit agrarian structure in the country as the main link leading to the people's situation of backwardness and poverty, and simultaneous and inseparably linked with this process, the need to break with the structure of domination by U.S. imperialism which was asphyxiating the economy in general and agriculture in particular, through large sugar plantation ownership.

The most important change in this stage was the Agrarian Reform Law of May 1959.

This measure, which launched the revolutionary transformation of production relations, the economic base of society, although in itself it did not go beyond the national liberation framework of the first phase, gave rise to a process the pursuit of which led to replacing private ownership of a basic means of production, the land, with state ownership, and in view of the class interests dominating the leadership of the revolutionary state, this meant the birth of a sector which, as it developed, would become the socialist sector of the economy."<sup>18</sup>

The consequences of this law were many and important: large estate ownership was eliminated and approximately 67 percent of the land was redistributed to the small peasants and estates; the state agricultural sector, which came to control about 40 percent of the land, was created; the peasant was freed from the payment of rent and exploitation by middlemen and usurers; the foundations for higher forms



of agricultural production were established; a decisive contribution was made to eliminating unemployment in the rural sector; and a significant redistribution of income in favor of the peasantry was effected, expanding the domestic market in the country.

A second basic aspect of the socioeconomic changes in this stage involve the appropriation of the means of production which occurred in the other branches of the economy, giving rise to the development of the socialist sectors.

This process came about via two different means: the confiscation of the assets of those who misappropriated and lined their pockets with public funds and in "dirty deals" supported by the governments prior to 1959; and through nationalization of an anti-imperialist nature which were effected first in response to the economic attacks by the United States between July and December of 1960, and the nationalizations of an anticapitalist nature carried out later, in October of 1960, in view of the counterrevolutionary position adopted by the Cuban bourgeoisie as a bloc.

It should be mentioned that in numerous cases, nationalization was preceded by government intervention. This precautionary measure was the form in which worker control was expressed in Cuba and it guaranteed that the production of many industries would not be paralyzed by the labor conflicts constantly promoted by the bourgeoisie for this purpose.

The process of nationalization in the nonagricultural sector had a special characteristic in that its general development and rate of implementation were dictated by the increasing acuteness of the class struggle between 1959 and 1960.

The practical impossibility of implementing a program of change of a democratic-bourgeois nature in these years clearly revealed the lack of a national bourgeoisie with independent economic interests, and confirmed the involvement of the Cuban bourgeoisie with the interests of the U.S. imperialists.

The expropriations noted, without exceeding the national liberation framework of this stage and without being incompatible in form with capitalist ownership until September 1960, speeded up the crisis of the final disappearance of capitalist private ownership and the exploitation of wage earning labor in Cuba by their content.

A third basic aspect of the socioeconomic changes in these years involved the measures designed to achieve immediate redistribution of income in favor of the working classes, the elimination of unemployment and the resulting improvement in the standard of living of the people.

During the first two years of the revolution, the basic changes were made in order to destroy the economic foundations of the political power of the dominant classes in Cuban society up to that time, while at the same time substantially improving living conditions for the people in all respects.

The revolutionary transformations of a national liberation character established the conditions indispensable in order later to effect the definitive elimination of capitalist ownership of the means of production, creating the foundations for the launching, within the short period, of the building of socialism within the country.<sup>19</sup>

## General Development of the Economy in This Stage

The economic policy pursued by the revolutionary government between 1959 and 1960 had as its main goal guaranteeing the continuity and success the profits of revolutionary change enabling Cuba to contemplate the possibility of undertaking the path of economic development.

The foundations for this economic policy were found in the historical statement entitled "History Will Absolve Me." In it the basic problems to be resolved were summarized in a six-point program:

"The problem of the land, the problem of industrialization, the problem of housing, the problem of unemployment, the problem of education and the problem of public health; I have specified here the six points toward the solution of which our efforts have been resolutely directed, along with the conquest of public freedoms and political democracy."<sup>20</sup>

The Moncada program would be the fundamental basis for the drafting of the economic policy to be pursued in the first stage of the Cuban revolution.<sup>21</sup> It set forth the major economic goals which would be dealt with by the revolution between 1959 and 1960: the redistribution of income, diversification of farm production, the industrialization of the country and the reorientation of international economic relations.

The specific application of the economic policy in these initial years was oriented by a large number of factors of temporary nature, which had a decisive influence on the economic development program which, in rather implicit form, was pursued in 1959 and 1960.<sup>22</sup>

The successful fulfillment of the Moncada program in only 20 months meant an increase of 19 percent in the national income in comparison to 1958; a rate of growth in the material product (at constant prices) of 16.4 percent between 1959 and 1960; a reduction of 40 percent in the unemployment index; a redistribution of an average of 20 percent of the national income to the benefit of the working classes, and an increase of between 15 and 20 percent in the standard of living of the people.<sup>23</sup>

These significant successes were achieved in the midst of a complex process of class struggle, with the development of a broad and democratic economic policy which did not exclude the opportunity for all of the social forces with interests opposed to the domination of the imperialists and the bourgeois-estate owning oligarchy in the economic development of the country. The Cuban bourgeoisie, on the other hand, chose the path of betrayal of the national interests, joining with the imperialists to destroy the revolution, which contributed to speeding up the transition to its socialist phase.

## The Cuban Economy in the Period of Transition from Capitalism to Socialism

The historic need to replace capitalist production relations and the revolutionary opening of socialism were scientifically demonstrated in the classic works of Marxism, based on the objective action of the law of correspondence between the nature of production relations and the level of the development of the productive forces.



On the basis of Marxist-Leninist doctrine and the experience of the socialist countries in its practical application, the Program Platform of the Communist Party of Cuba stated the following:

"Between capitalism and the socialist phase of the communist economic and social formation, there is a period of transition, in which the existing state is the dictatorship of the proletariat and in the course of which the entire life of society is transformed, any possibility of the reestablishment of capitalism is eliminated, and socialism is built."<sup>24</sup>

In Cuba, a distinctive historical feature occurred in that there was no lack of continuity between the democratic-popular and anti-imperialist stage and the socialist stage of revolution, since the transition from one to the other came about in a very short period of time and under the same revolutionary leadership.<sup>25</sup>

The transition from the democratic-popular stage of the revolution to the period of transition from capitalism to socialism occurred in Cuba in the autumn of 1960.

The event which serves as a point of reference marking the beginning of the building of socialism in Cuba was the process of nationalization of an anticapitalist nature which was carried out in October of 1960, in accordance with Law No 890.<sup>26</sup>

This process was substantially different from the nationalizations carried out previously.

The confiscations of misappropriated assets were a response to a basic sense of social justice, while those which resulted from the implementation of the agrarian reform law were of a national liberation nature. On the other hand, the nationalization of American businesses and banks which occurred in August and September of 1960 were of a clearly anti-imperialist nature, but they were not directed against capitalist ownership in general.

"Until October of 1960, the intentions of the revolutionary government, considered objectively, did not involve any inevitable change toward socialist positions. Even after agrarian reform, the recovery of assets and nationalization of the basic imperialist enterprises, Cuba remained in the situation which theoretically would have permitted the survival for a period of a capitalist form of development."<sup>27</sup>

It should not be concluded from this that the position of the revolutionary government favored development along capitalist paths. It is simply that for some time, the possibility that the industrial bourgeoisie unrelated to the sugar industry might play a positive role in the process of the development of the national economy was not excluded.

However reality demonstrated that the involvement of the class interests of the bourgeoisie with the imperialists—including the industrial bourgeoisie unaffiliated with the sugar industry—legislated to reject any possible support of the national liberation ideal of the revolution in its first stage.

The class struggle became especially acute with the nationalization of U.S.-owned properties and this speeded up the process of destruction of the capitalist production relations.

The liquidation of capitalist private ownership in Cuba occurred basically through a process of nationalization.

In this connection, it should be emphasized that confiscation or nationalization without indemnification was only carried out when the imperatives of the class struggle left no alternative.

In the majority of cases, however, the indemnification plan was not in fact effected because of the counterrevolutionary attitude of the former owners, which also prevented the development of any form of state capitalism in these years.

The process of expropriating capitalist private property continued with the nationalization of the trade sector in 1962 and culminated in March of 1968, when through a "revolutionary offensive" process, the remaining capitalist property in the country was nationalized without indemnification.<sup>28</sup>

The revolutionary transformation of the capitalist production relations in agriculture also had certain special characteristics in Cuba.

The class composition of the prerevolutionary society, in which the situation of the poor and landless peasantry approximated that of the most exploited farm workers, together with the fact that the mass of farm workers increased as large landholdings became the predominant form of agrarian ownership, had the result that the goal of obtaining the land to work it as small farmers was not an aspiration of the farm workers in general, as proletarians or semiproletarians.

Thus it is not strategically feasible to divide up the large estates into small parcels in Cuba, and about 40 percent of the land was incorporated directly in the form of state ownership, and land was turned over only to those small peasants who had been settled on it prior to 1959.

The incorporation of the majority of the land as state property guaranteed the increase of the proletariat in agriculture, thus guaranteeing a class structure favorable to the economic development of the country in its key sector.

The capitalist sector did not disappear with the first agrarian reform law. Even after May 1959, 10,000 rich peasants and members of the rural bourgeoisie controlled almost 1,700,000 hectares of land.

The position of these social groups as a part of the exploiting classes made them increasingly hostile to the revolution, once it entered into its socialist phase.

Within this framework of intensive class struggle, the second agrarian reform law was promulgated in October 1963. It was of a markedly socialist nature and was designed to eliminate capitalist production relations in the Cuban farm structure.

From the time of the revolutionary changes in agriculture, special attention was devoted to the small peasants' sector. Bearing in mind the Leninist thesis according to which the supreme principle of the dictatorship of the proletariat is the worker-peasant alliance, under the leadership of the workers' class, steps were taken toward the gradual socialist transformation of the small peasant farms.

Under the conditions in Cuba, this change was planned on the basis of cooperation, although the direct incorporation of the peasants in state farms was to be used to a lesser extent.

At that time, the process of establishing farm production cooperatives throughout the country was pursued, leading to the gradual generalization of socialist production relations in Cuban agriculture.<sup>29</sup>

The elimination of capitalist or private ownership in the sectors basic to the development of the national economy and the establishment of the technical and material foundation for socialism were completed in a relatively short period of time.<sup>30</sup> This made it possible to create a single socioeconomic center within a few years by means of which the development of productive forces and the socialist production relations corresponding to them could be guaranteed.

The socialist transformation of ownership relations in Cuban society provided confirmation of the basic theses of Marxism-Leninism concerning the need to provide a real solution to the basic contradiction in capitalism through a socialist revolution adapting the nature of production relations to the level of development reached by the productive forces.

#### The Establishment of the Technical and Material Foundations of Socialism in Cuba

The existence of socialism presumes a high level of development of the productive forces.

The effective process of socializing the means of production can only be carried out once the technical and material foundation for socialism has been created, the disproportions in capitalist production have been eliminated, and the conditions for exercising control of production and distribution of what is produced have been established.

In defining the essence of the technical and material foundations of socialism, Lenin said:

"The material and technical foundation for socialism must necessarily be heavy mechanized industry capable of reorganizing agriculture as well. But we must not limit ourselves to this general principle. It must be made specific. Heavy industry on the level of modern technology and capable of reorganizing agriculture presupposes the electrification of the entire country."<sup>31</sup>

The experience of the Soviet Union and later, the other socialist countries, confirmed the existence of two basic paths for the creation of the technical and material foundation for socialism in this country, based on the level of development achieved by its productive forces.

In those countries which had a relatively high level of development of the productive forces, with developed industry, when the socialist revolution triumphed, the process of establishing the technical and material foundation for socialism involved the socialization, reconstruction and socialist reorganization of the means of production through the perfecting of the inherited productive apparatus, the intensive application of technology and the reorganization of industry by branch and region.

In those countries which had a low or average level of development of the productive forces when the socialist revolution triumphed, the establishment of the technical and material foundation for socialism meant socialist industrialization.

The circumstances under which the Cuban revolution began the building of socialism proved to be a serious obstacle to the immediate process of industrialization of the country.

To the relatively low level of the development of the productive forces at the beginning of the 1960s was added the tremendous dependence on a foreign capitalist market, which made the reproduction of the system within the national framework almost impossible.

The process of establishing the technical and material foundation for socialism had to be launched on the basis of an extremely distorted economic structure, in order to create, through best use of the potential within the favorable framework offered by the system of international socialist division of labor, the conditions needed for the stable generation of the accumulation funds indispensable for the later industrialization of the country.

The point of departure for this process was the technical rehabilitation of agriculture, which represented the key link in the development of an indispensable process of change in the level of development of the productive forces which would later permit their intensive development on the basis of socialist industrialization.

Thus Cuba had to begin the establishment of the technical and material foundation for socialism with the process of creating conditions for the industrialization of the country, and therein lay the specific peculiarity of this process within the framework of its general regularity.

On the other hand, the planning of the proportions which would guarantee expanded reproduction, using for the purpose a proper economic development strategy, was of decisive importance in the process of establishing the technical and material foundation for socialism.<sup>32</sup>

At the same time, the socialist state, while expressing the basic guidelines of the development strategy in an economic policy, needs mechanisms to make their practical implementation possible, through the system of economic management.<sup>33</sup>

As historical experience was to show, the interrelation existing between the development strategy and the system of economic management represents a key element in the analysis of the establishment of the technical and material foundation for socialism in Cuba.

#### General Development of the Economy in This Stage

From the time of the nationalizations of a socialist nature carried out in October 1960, socialist production relations began to develop, requiring the drafting of a strategy for the development of the Cuban economy.



The conditions on which this undertaking had to be based were very complex. The profound changes in the state structure, the shortage of skilled cadres, the changes in the system of the country's international economic relations and the increasingly acute class struggle were factors which had to be taken into account in the process of drafting the economic development program for this stage, in which the concept which had been outlined in 1959 and 1960 came to the fore.

Thus a development strategy was conceived which established as the immediate goal the transformation of Cuba into an industrialized country, taking as a basis accelerated industrialization based on the development of heavy industry, diversification of agriculture and increasing replacement of imports.

These goals were set forth in the Four-Year Plan for Economic Development in (1962-1965).<sup>34</sup>

The strategy drafted and the 1962-1965 plan presumed the possibility of substantially modifying the economic structure of the country within a short period.

However, the implementation of this development program through 1963 did not ensure the fulfillment of the goals set. This was due basically to a failure to understand the basic intersectorial relations in the Cuban economy, and more particularly, the high level of foreign dependence, which imposed serious restrictions on any change in the productive structure of the country.

To this were added the effects of the U.S. economic blockade,<sup>35</sup> the consequences of the increasing acuteness of the class struggle, and unfavorable weather conditions during this period.

The development of the national economy showed a general decline in economic efficiency, expressed as a reduction of nine percent in the overall social product, an average annual rate of increase in the material product of 3.5 percent (at constant prices), as well as a 43 percent drop in sugar production.

The situation the Cuban economy faced in 1963 revealed the obstacles resulting from the foreign dependence of the country and led to a reconsideration of the economic development strategy pursued until then.

The experience in socialist construction between 1961 and 1963 made it possible, however, to undertake the revision of the economic development program from a more favorable position. In addition, domestic and foreign conditions for the purpose were much more favorable than in 1960.

Domestically, the incipient institutionalization of the socialist state had made it possible to reorganize the economic management system on a basis more consistent with the nature of the new socialist production relations being developed.

However, the determining aspect of the favorable conditions which developed for the drafting of a new development strategy was made by the change which occurred in the international economic relations of the country.

Given the situation of the Cuban economy, the foreign sector continued to be the key link in the reproduction process, and the experience acquired between 1961 and 1963 showed that this reality could not be modified in the short run.



In order to guarantee economic development, it was necessary to expand exports in stable fashion.

The solution to the limitation imposed by the instability of the foreign sugar market was achieved through the signing of an agreement with the USSR which guaranteed stable prices and an expanding market for the main accumulation resource of the country.<sup>36</sup>

The goals of the new development strategy adopted as of 1963 included basically the establishment of conditions for converting the economic structure inherited from capitalism into a structure capable of guaranteeing economic development, through the generation of the accumulation funds indispensable for the subsequent industrialization of the country.<sup>37</sup>

The use of the single product and single export economic structure based on sugar was conceived as a function of establishing the technical and material foundation for socialism through the technical reequipping of farm production with a view to later facilitation of the accelerated industrialization of the country.

The path toward achieving these goals involves developing those branches the production of which would maximize the potential opened up by the system of international socialist division of labor. The studies made indicated that the foundations on which the development of the country could rely were provided by sugar production, livestock breeding and food production.

This selection was established on the basis of consideration of a complex of aspects which could be summarized as follows:<sup>38</sup>

1. Sugar production was the basic branch for the economic development of the country.
2. Climatic, health and market conditions favored the development of livestock breeding.
3. There were extensive reserves of uncultivated land and a broad potential for increasing productivity in the areas under exploitation.
4. Relatively low levels of skill were needed for the development of the branches selected.
5. The development program planned presumed lower imported supply coefficients.
6. Investments in agriculture offered greater viability.
7. The potential existed for broadening the food base for the population.
8. The creation of a basic productive structure for the later development of the country was guaranteed.

The new concept of economic development was set forth in the draft plan for the medium term which was developed for the various branches of the national economy through 1970, the basic goal of which was the production of 10 million metric tons of sugar by that year.<sup>39</sup>

The development of the Cuban economy within the context of the development strategy pursued beginning in 1963 must however be examined in two parts, bearing in mind the effect of the economic management system on it.

The drafting of the system of management for the socialist economy began in 1961, and after two years had passed, there were two systems coexisting in experimental fashion: the budget financing system, which covered the greater part of industry, and the cost accounting system, which covered agriculture in part, industry in part, and foreign trade.

At the beginning of the revolution the question of which of the two systems was the best was discussed. But no deeper study was made nor was any decision about it made, such that for some years the two systems mentioned coexisted.<sup>40</sup>

Problems then developed which demanded an immediate solution if the management system was to be consolidated.

Interference and duplication by state bodies developed, giving rise to serious difficulties in the economic management field.

Within the framework of this situation,

"...we made the least desirable decision, which was to invent a new procedure. As a result, a form of management was developed which was equally different from the cost effectiveness system which was generally applied in the socialist countries, and the budget financing system which we had begun to try out in Cuba, accompanied by a new system of economic record keeping which was preceded by the elimination of the commodity forms and the elimination of collection and payment between units in the state sector. It seemed to some of us too capitalist, because we did not clearly understand the need to retain the commodity forms of relations among state enterprises."<sup>41</sup>

The factors which led to the making of these decisions were many and complex.<sup>42</sup> Essentially, there was no clear understanding of the role of monetary-commodity relations as an organic part of socialist production relations, since the premises underlying them were not understood.

The lack of an adequate management system during these years worked toward creating disproportions in the reproduction process which affected the economic development strategy agreed upon.

The proper solution to the complex of interrelations between the management system and the economic development strategy was not found between 1964 and 1970. This was due basically to the limitations inherent in the economic management system in effect during that stage.

However, thanks to the effort of the masses under the wise leadership of the PCC [Communist Party of Cuba], substantial achievements were made in the economic sector during these years.

The country showed an economic recovery in 1964 and 1965, which continued with a general rise until 1968. In the next two years, until 1970, substantial imbalances were created which caused general economic efficiency to drop.

Between 1963 and 1970, the total social product increased by 51.8 percent, showing an average annual rate of growth of 6.1 percent. At constant prices, the material product showed an average annual increase of 5.3 percent and sugar production increased by 38.7 percent.

In making an assessment of these years, it is also essential to take into account the effect of other factors on economic activity.

"It is necessary to note that economic work was not the focus of attention during the first ten years. During this first phase of the revolution, survival despite imperialist subversion, military attack and the implacable economic blockade absorbed the main effort of the nation."<sup>43</sup>

On the basis of the results of the 1970 harvest, a critical and self critical analysis of the economic activity pursued until that time was undertaken, taking into account the imbalances which had been created as of 1968.

The strategic concept of the economic development program which took as its basis a view of the sugar industry as the sector capable of guaranteeing the foreign financing indispensable to the development of the country was not abandoned, but the need to eliminate the disproportions which developed in the period between 1968 and 1970 was given priority.

To this end, the need to increase economic efficiency and to promote the industrial and infrastructural development necessary to complete the stage of creating the conditions for industrialization after 1975 was emphasized.

Beginning in 1970, a complex of conditions favorable to the promotion of economic activities was created.

First of all, the foundations were established for a basic reorganization of the economic management system, stressing the solution of some fundamental management problems and incentives, all within the framework of a process of state institutionalization which was to be completed in 1976.

Secondly, the strengthening of planning was achieved and a new structure was established for the plan for economic development through 1975.<sup>44</sup>

Finally, a favorable international situation from the point of view of sugar prices developed during this period, which had a positive effect on the economic development of the country.

Taking the above into consideration, the period between 1971 and 1975 can be assessed as one of economic recovery, in which not only were important steps taken toward the reestablishment of the proportions necessary for the reproduction

process in the Cuban economy, but also institutional and political changes were promoted which allowed a substantial improvement in the economic management system in comparison to the preceding five-year period, establishing the foundations for its reorganization as of 1976.

An assessment of economic activity between 1970 and 1975 shows highly positive results. During these years, the overall social product increased by 52.5 percent, with an average annual rate of growth of 8.8 percent, while at constant prices, the material product increased at an average rate of 9.2 percent.

The first stage in the creation of the technical and material foundations for socialism produced a favorable balance.

In the period which ended in 1975, the goals of the economic development strategy pursued since 1964 were achieved, including the following:

1. The establishment of the infrastructure and the delivery of the technical equipment necessary to guarantee the development of the farm sector as a stable source of farm financing, in the accumulation process necessary for industrial development.
2. The establishment of the base for developing means of production capable of ensuring the growth of the farm sector.
3. The development of basic productive services and the raising of the minimum qualification levels for the labor force in order to launch the process of accelerated industrialization of the country.
4. Increase in the standard of living of the people.
5. Perfecting of the process of specialization of the Cuban economy within the framework of the international system of socialist division of labor.

The role played by aid from the socialist camp and the Soviet Union in particular in attaining these results should be stressed. Their credit for commercial purposes and for development, technical aid and military solidarity played an important role in these years as a factor in breaking the U.S. blockade and a factor contributing to the economic development of the country.<sup>45</sup>

The cooperation relations between Cuba and the socialist camp reached a higher level when Cuba joined the CENA in 1972, opening up a potential for the development of joint programs for the production of nickel and cellulose and paper on the basis of sugar cane bagasse. Later, Cuba was to join in programs for the development of the sugar industry, machine construction and the citrus sector, to mention some of the more important.<sup>46</sup>

#### First Congress of the Communist Party of Cuba and the Cuban Economy

The First Congress of the Communist Party of Cuba approved important resolutions in the economic sector: it defined the content of the economic policy and strategy for development in the five-year period between 1976 and 1980; it established the



main guidelines for the five-year plan for the economic and social development of Cuba between 1976 and 1980; and it approved the establishment of the new economic management and planning system as a part of the socialist state institutionalization process.<sup>47</sup>

In this new stage, the focus of economic policy moved to the industrialization of the country.

"With a first phase of initial impetus, in which the focus of the activities and the orientation of investments were directed basically toward the farm sector completed, while at the same time work was done on the establishment of the necessary infrastructure of water power projects, highway and other construction with a view to establishing the basis and conditions for carrying out the industrialization process, the main task of the plans for the development and improvement of the national economy as of the next 1976-1980 five-year period will be the industrialization of the country.<sup>48</sup>

The strategic development concept drafted at the First Congress of the PCC was set forth in the Directives for Economic and Social Development in the 1976-1980 Five-Year Period, in which the following main tasks were established:<sup>49</sup>

1. Development of an industrial investment program consistent with the following general goals:

a. Development of the industrial branches generating exports: sugar industry and nickel production.

b. Development of better integration of the national economy and the resulting replacement of imports.

c. Development of industries supporting and contributing to guaranteeing an increase in farm production in the country, in terms of chemization, irrigation and mechanization.

d. Creation of industrial capacities for the production of consumer goods, particularly in the food and textile industries.

e. Consolidation and expansion of the construction materials industries.

2. Consolidation and expansion of the economic infrastructure of the country.

3. Work to establish and guarantee the national food base provided by cattle.

Also, an increase in the overall social product of 6 percent on an annual average was planned.

The congress also approved the introduction of a new economic management and planning system based on the principles of cost accounting.

Bearing the experience of the other socialist countries and the peculiarities of the process of building socialism in mind, limits were established for the degree of decentralization of decision-making, and on the correlation between administrative and economic methods to be used in implementing cost accounting.



In this connection, the relatively low level of the development of productive forces in comparison to other socialist countries was taken into account, along with the shortage of resources, still acute for some products, the lack of economic cadres with sufficient experience and skill and the lack of an adequate economic awareness.<sup>51</sup>

The new system was assigned important roles. Among these we should stress the linking of social and private interests; achievement of the maximum efficiency in the economy; stimulation of the development of exports and promotion of the replacement of imports; adequate linking of centralization for the main decisions with maximum participation by the workers in management; the achievement of flexible reactions in the decision making centers; the establishment of conditions so that enterprise administrations could act as representatives of society; the development of mechanisms to improve labor discipline, labor productivity and the quality of production; and the establishment of the proper correlation between material and moral incentives.

The implementation of the economic management system approved as of 1975 was to bring about cardinal changes in the whole of the economic activity of the country during the five-year period.

The extent of these changes and their effects on the activity of the country are suggested by a summary of the basic changes to be made, which included the establishment of new state organs and the reorganization of those already in existence; the reestablishment of monetary-commodity relations; the establishment of a new accounting system; the establishment of the state budget system; the establishment of an adequate price system; the reorganization and adaptation of the banking system; the drafting and perfecting of a methodology for planning and an economic statistics system; the organization of new enterprises; the drafting of inventory, material consumption and labor expenditure norms; the training of cadres; and the drafting and approval of juridical documents.

#### General Development of the Economy Beginning in 1976

The economic development of the country beginning in 1976 has not been free of difficulties caused basically by the adverse international economic situation beginning with the capitalist economic crisis in 1974 and 1975.

Already in September of 1976 these difficulties were evident. The first secretary of the PCC said, in analyzing this situation:

"These difficulties are basically the result of the fact that sugar prices have dropped substantially...now in our country there are other additional factors. We have experienced three years of serious drought...this factor has affected at least 25 percent of the sugar production which would have been obtained under normal conditions."

Later on he explained that these facts "...will affect first of all the directives for economic development in the five-year period approved at the congress, and without a doubt they will affect the annual production during this period."<sup>52</sup>

The above situation led to an acceleration of the process of readapting the Cuban economy to foreign financial restrictions, which affected light industry and some aspects of mechanical production in particular. Along with this, a search was made for new means of improving integration in the CEMA, of creating new funds which could be used and analyzing the domestic capacity to replace imports. Simultaneously, plans were laid for increasing efficiency and reducing imports and expenditures in convertible foreign exchange to a minimum.

The economic situation was equally difficult during 1977.<sup>53</sup> Despite this, and in the midst of difficulties, the sugar production plan was successfully fulfilled, thanks in great measure to aid from the socialist camp and the domestic effort put forth, and it was possible to alleviate the difficult situation which the country was experiencing.

Despite the situation described, the process of industrial investment acquired considerable momentum during 1977, and an important sugar cane combine plant began production that year. On the other hand, more than 90 industrial goals were achieved.

The situation in the Cuban economy improved perceptibly during 1978.

In fact, the overall social product increased by three percent above the plan; an increase of nine percent in gross industrial production was achieved, and sugar production increased by 13.4 percent in comparison to 1977. In addition, 110 industrial goals were achieved during 1978.

In assessing the economic results in the first three years of the five year period, the Eighth Plenum of the CC of the PCC concluded:

"The plenum has taken into account that the planned growth was seriously affected in the three year period which has elapsed since the First Congress by the serious and inevitable consequences of objective external situations...however, these serious hindrances resulting from factors outside the national economy have not prevented the praiseworthy development which we can already note, although it does not reach the levels proposed and set forth in the directives for the five year period in progress as approved by the First Congress of the party.<sup>54</sup>

In 1979, objective and subjective factors created certain difficulties in the development of the Cuban economy.

Outbreaks of various diseases affected the production of important categories in the agricultural sector. Blue mold did serious damage to the tobacco harvest, while the sugar crop was attacked by cane rust, and African swine fever reappeared in the eastern provinces, shrinking the swine herds.

Taking all of the above into account, it can be said that an assessment of the years during the five year period between 1976-1980 yielded a positive balance.

In the midst of the difficult economic conditions already noted, the overall social product, excluding the trade sector, increased by 23 percent, with an average annual rate of growth of 5.3 percent. Gross industrial production increased at an average annual rate of 4 percent, while agricultural production increased at a rate of 3.5 percent and sugar production at 6.1 percent.

Similarly, labor productivity increased at an average annual rate of 3 percent.

An assessment of the application of the new economic management and planning system also shows positive results, in that it was possible to fulfill the planned tasks 96 percent, and this without a doubt had a favorable effect on all of the sectors of economic activity in the country.<sup>55</sup>

If these advances were of the greatest importance, the economic development of Cuban society in the last twenty years is on balance equally positive.

Between 1958 and 1979 the overall social product increased at an average annual rate of 3.6 percent, at current prices, and per capita national income, also at current prices, increased up to 1978 at an average annual rate of 3.7 percent.<sup>56</sup>

On the other hand, the process of development in Cuban society in the revolutionary stage has not only meant laudable economic growth during the United States blockade and a constant battle to maintain the basic conquest of the revolution. Along with this, the development of such social services as public health and education have placed Cuba on a level comparable to those in the most developed countries of the world.

The economic development strategy implemented by the Cuban revolution has thus confirmed the validity of the laws and usages in the process of establishing the technical and material foundation for socialism.

Having initiated this process with the necessary establishment of conditions for the undertaking of industrialization, the Cuban economy is plunged today in the initial stages of factory development which will bring about the structural changes essential to guarantee the development of the national economy.<sup>57</sup>

#### The Prospects for the Cuban Economy

The industrialization of the country will require major efforts in all fields in the coming years.

The drafting of a development strategy in this connection is an indispensable requirement for guaranteeing the scientific nature of the planning process.

In 1978, the drafting of the future economic and social development strategy for the period through the year 2000 was begun, as a substantial part of this long term planning effort. The goals of this strategy are to plan the completion of the process of change in the distorted economic structure the revolution inherited and thus to promote a progressive approach and gradual matching of the developmental levels in the most advanced socialist countries.

The goals to be achieved during the next 1981-1985 five-year plan fall within these prospects. To achieve them, a complex of requirements must be met, including a firm advance in the process of socialist industrialization; adequate orientation of basic investments; strengthening and extension of the cooperative movement in the rural sector; achievement of greater depth in the multilateral education of the people and an increase in the training level of national cadres; consolidation of the economic management and planning system (MTE); achievement of a higher

level of economic efficiency and implementation of a saving policy based on norms; advancement in the organization of labor and wages; expansion of international economic relations; continued raising of the standard of living for the people; and consolidation of the institutions of the socialist society.<sup>58</sup>

In relation to the more general goals, the following has been set forth:

"Among these goals, the following stand out: increasing such exports as sugar, nickel and citrus crops, but emphasizing in particular the development of new resources for export in order to change the structure of our exports; priority development of the industrial sector, so that it will account for approximately half of the total production of the country by 1985; development of an adequate investment plan, with approximately 75 percent of this plan allocated to the productive sector, with an increase of investments in the industrial sector and above all in the basic branches—mining, metallurgy, machine construction and electrical energy—within the productive sphere. Within the nonproductive sector, priority must be given to the construction of housing and similarly, investments in culture must be increased. A sustained increase in labor productivity and greater participation by the feminine labor force must be guaranteed. The internal financial balance must be guaranteed; high energy efficiency must be achieved in the productive sector, the industrial branches in particular, such that we can save energy and oil; the material consumption index in production and services must be reduced by perfecting the planning mechanisms and the economic management systems; the conditions in the least developed provinces must be improved through the most desirable territorial distribution of social facilities and new investments, etc. These are the basic goals for the coming five-year period, those of a general nature.<sup>59</sup>

The goals thus set forth for the 1981-1985 five-year period outline it as a crucial stage in the process of industrializing the country, in which multiple lines of development launched as of 1975 will mature.

The path covered by Cuba in these 20 years shows that economic development is a very complex and difficult process. It shows that a scientific interpretation of the laws which govern the development of society and a firm political determination to face up to all the sacrifices these changes demand are required.

Socialist Cuba, as compared to the sad situation of the countries still subjected to imperialist domination, is now harvesting the fruit of the noble efforts of its sons who are working to build a communist society, under the wise guidance of the Communist Party of Cuba and its first secretary, Commander Fidel Castro.

#### FOOTNOTES

1. Perez, H., "Political Economics of Capitalism," Havana, 1967, pp 324-325.
2. Bekasovich, A. D. and Manella, A., "Foreign Monopolistic Capital in Cuba in the Light of the Leninist Theses on Imperialism. Foreign Monopolies in Cuba, 1898-1938," Moscow, 1976, p. 5 (in Russian).
3. Program Platform of the Communist Party of Cuba, Havana, 1976, p 10.



4. Rodriguez, Carlos R., "The Cuban Revolution and the Period of Transition," Havana, 1966, p 6.
5. Bekarevich, A. D. et al., "The Great October and the Cuban Revolution," Moscow, 1977, p 15 (in Russian).
6. "United States investments in Cuba, which totaled 50 million dollars in 1896, increased to 160 in 1906, 205 in 1911, and 1200 in 1923, including ownership of three-quarters of the sugar industry." Report of the CC of the PCC to the First Congress. EL MILITANTE COMUNISTA, Jan-Feb 1976, p 6.
7. The investments of the United States in Cuba totaled millions of pesos in 1925, distributed as follows by sectors: sugar 750; railroads 110; public debt 110; real and other property 105; public services 100; tobacco 50; manufacturing 40; mining 35; trade 30; ships 20; and merchant marine 10. In all, these totaled 1,360,000,000 pesos.
8. Calculated on the basis of the data provided by J. Alines in "Basic Characterization of the Cuban Economy," Havana, 1950, p 32 and the Cuban Sugar Annual, 1960, Havana, 1961.
9. Ibid.
10. U.S. investments in the sugar sector—including agriculture—declined by about 65 percent between 1925 and 1958. This does not mean that U.S. interests abandoned their dominant position in the Cuban economy, because total investments increased from 656 million pesos to 1,001,000,000 pesos, or 50.3 percent, between 1936 and 1958. Investments other than in sugar out of this total increased from 410 to 736 million during the same period, an increase of 80 percent. See O. Pino Santos, "The Attack on Cuba by the Yankee Financial Oligarchy," Havana, 1973, p 198; and United States Department of Commerce, Bureau of Foreign Commerce, "Investment in Cuba--Basic Information for United States Businessmen," Washington, 1956.
11. Calculated on the basis of the data provided in the work by J. Alines already cited, p 52; the Report of the Ministry of Finance of the Revolutionary Government to the Council of Ministers, Havana, 1959, pp 66-68; and the Report of the National Bank of Cuba, "The Cuban Economy in 1956-1957," Havana, 1958, p 57.
12. See the Report of the Ministry of Finance of the Revolutionary Government to the Council of Ministers, op.cit., p 17.
13. Quoted by F. Lopez Segrera in "Cuba: Dependent Capitalism and Underdevelopment (1510-1959)," Havana, 1972, p 341.
14. Rodriguez, Carlos R., "The Cuban Revolution and the Period of Transition," Havana, 1966, p 3. See also Guevara, Ernesto Che: "Cuba: Its Economy, Foreign Trade and Importance in the Contemporary World," NUESTRA INDUSTRIA ECONOMICA, No 10, pp 5-6.
15. See Rodriguez, Carlos R., "The Cuban Revolution and the Period of Transition," op. cit., p 12.



16. Ibid., p 16.
17. Program Platform of the Communist Party of Cuba, op. cit., p 39.
18. Ibid., p 42.
19. The relative weight of the state sector at the end of 1960, in terms of the volume of fixed capital by branches, was as follows: agriculture 37 percent; industry 85 percent; construction 80 percent; transportation 92 percent; retail trade 50 percent; wholesale trade 100 percent; foreign trade 100 percent; banking 100 percent. See Oleinik, I., "Manual of Political Economics in Socialism," Havana, 1977, Part I, p 156.
20. Castro, F., "History Will Absolve Me," Havana, 1973, p 43. Concerning this program, it was said quite accurately that "...clearly defined socialist goals have not yet been established. It is a democratic, anti-imperialist program oriented toward the liquidation of the domination of the domestic and foreign landowners in the rural sectors through agrarian reform, which is to say it is an agrarian and anti-imperialist program." See Rodríguez, C. R., "The Anti-Imperialist and Socialist Phases of the Cuban Revolution," Havana, 1967, p 25.
21. There are other documents which had a certain influence on the definition of the economic policy in these years, among which the following might be mentioned: "Some Aspects of Economic Development in Cuba (Thesis of the 26 July Revolutionary Movement)"; the program of the Popular Socialist Party; and Noyola, Juan F., "Problems in Development," Havana, 1959.
22. On this point a more detailed analysis can be found in the work by Jose L. Rodríguez entitled "Economic Policy of the Cuban Revolution (1959-1960)," ECONOMIA Y DESARROLLO No 54, 1979.
23. See "The Democratic-Popular Agrarian and Anti-Imperialist Stages of the Cuban Revolution, an Economic Analysis," research report, Department of Political Economics, Faculty of Economics, University of Havana, 1977.
24. Program Platform of the Communist Party of Cuba, op. cit., p 57.
25. This is due to the fact that "basically, the problem of political power had already been resolved as of the early moments for both stages of the revolution." See Program Platform of the Communist Party of Cuba, op. cit., p 44.
26. This law transferred the banks and 383 large Cuban capitalist enterprises, including 105 sugar mills, to the state.
27. Rodríguez, C. R., "The Cuban Revolution and the Period of Transition," op. cit., p 69.
28. "This measure was not necessarily a matter of principle in the building of socialism in this stage, but the result of the specific situation in our country under the conditions of the harsh economic blockade imposed by the imperialists and the need to make the best possible use of human and financial

resources, to which was added the negative political actions of a stratum of urban capitalists who blocked the process." Report of the CC of the PCC to the First Party Congress, op. cit., p 28.

29. There were already, as of the end of August 1980, 995 farm production cooperatives, representing 9.3 percent of the land in the hands of the small farmers.
30. The weight of the socialist state ownership sector, based on the volume of fixed capital by sector, has been as follows since 1969: agriculture 70 percent; industry 100 percent; construction 100 percent; transportation 100 percent; retail trade 100 percent; wholesale trade 100 percent; foreign trade 100 percent; and basic 100 percent. With regard to transportation, a small number of private owners of transport vehicles controlled by the state, of minor significance, was excepted. See I. Oleinik, *ibid*.
31. Lenin, V. I., "Thesis on the Tactics of the Communist Party of Russia. Third Congress of the Communist International," Selected Works, Progress Publishing House, Moscow, 1979, p 669.
32. "The long term economic development strategy will scientifically establish the general goals which must be achieved, based on various alternatives..." Program Platform of the Communist Party of Cuba, op cit, p 73.
33. "The economic management system refers to the complex of principles, subsystems, methods and procedures based on and through which the organization, planning, management and control of economic activities are carried out." Resolution on the Economic Management and Planning System. Thesis and Resolutions. First Congress of the Communist Party of Cuba, Havana, 1976, p 189.
34. See Garcia, F. and Noyola, J. F., "Main Goals of our Economic Plan up to 1965" in CUBA SOCIALISTA, No 13. See also Kalecki, M., "Hypothetical Outline of the Five-Year Plan 1961-1965 for the Cuban Economy," Havana, 1960.
35. The economic blockade was implemented in gradual fashion beginning in 1959 by the United States in reprisal against the steps taken by the revolution in defense of the people's interests. The total economic blockade went into effect in April 1961.
36. This agreement was signed on 21 January 1964, and it committed the USSR to purchase 24.1 million metric tons of sugar from Cuba between 1965 and 1970 at a price of 6.11 centavos per pound, representing a guaranteed sale volume totaling 3,201,200,000 pesos.
37. "Agriculture, then, will be the basis for our economic development, and will be the basis for our industrial development...from our sugar, we have the foreign exchange. That is where the foreign exchange is, the resources for the development of our industry..." Fidel Castro, speech on 2 January 1965 and report on the visit to the USSR, 24 January 1964.

38. On this point, see, among others, Figueras, M.: "Aspects and Problems of Cuban Economic Development" in *NUUESTRA INDUSTRIA ECONOMICA*, No 11, pp 20-29, and "The Report of the Cuban Delegation to the Latin American Symposium on Industrialization, Chile, 1966," in *CUBA SOCIALISTA*, No 56, pp 170-178.
39. The economic basis for this decision was that "...it was the only possibility whereby making use of the land, achieving an increase in production per hectare, utilizing the entire installed capacity, extending the harvest periods and making some investments, we could increase our exports by 400 million pesos." Fidel Castro, speech delivered on 20 May 1970.
40. Report of the CC of the PCC to the First Congress, op. cit., p 63.
41. Ibid., pp 63-64.
42. On this point, see Bekarevich, A. D., "The Great October and the Cuban Revolution," Moscow, 1977, p 187, Note 64 (in Russian).
43. Report of the CC of the PCC to the First Congress, op. cit., p 29.
44. See "Outline of the Economic Development Plan Presented by Cuba to the UNDP [UN Development Program] for aid 1973-1977," in *ECONOMIA Y DESARROLLO*, No 13, pp 191-204.
45. "The fact that for ten years, in the course of its annual trade with the Soviet Union, Cuba did not have to limit its imports to the exact amount of its capacity to export sugar and other goods and the decision of the Soviet government to grant substantial credit every year to cover the balances to which this trade led made it possible for our country to avoid having to choose between the import of consumer goods and raw materials on the one hand, and the import of equipment for agriculture, transportation and construction for use in various economic development activities, on the other." Rodriguez, C. R., "USSR Collaboration in the Economic Development of Cuba," *EL MILITANTE COMUNISTA*, Nov 1977, pp 6-7.
46. See Vasquez, Julio A. Diaz, "Socialist Economic Integration in the Development of Cuba," *ECONOMIA Y DESARROLLO* No 56, 1980.
47. The process of institutionalization undertaken between 1975 and 1976 included the establishment of a new political-administrative division in the country, the approval of the first socialist constitution of Cuba, the establishment of the organs of people's government, from the base level to the National People's Government Assembly and the establishment of a new central state administrative organization.
48. Program Platform of the Communist Party of Cuba, op. cit., p 61.
49. See "Thesis on the Directives for Economic and Social Development in the 1976-1980 Five Year Period," in the "Thesis and Resolutions of the First Congress of the Communist Party of Cuba," Havana, 1976.

50. This new system was to be based "...on the objective economic laws operating in the stage of building socialism, and within these, taking into account the operation of the law of value and the monetary-commodity relations with a new content, as an historical necessity in this period and in the socialist phase of the communist society." "Resolution on the Economic Management and Planning System, Thesis and Resolutions of the First Congress of the Communist Party of Cuba," op. cit., p 191.
51. See Domenech, S. and Lopez Coll, A., "Economic Planning and Management System," in *ECONOMIA Y DESARROLLO*, No 40.
52. In view of these difficulties, priority as basic goals was given to fulfillment of international economic commitments, guaranteeing health, education, jobs and basic supplies for the people. See Fidel Castro, speech delivered on 28 September 1976.
53. "The year 1977 was a truly difficult year for our revolution..." Despite this fact it was stated that "we can say today that those goals set on 28 September 1976 have been achieved." Fidel Castro, speech delivered on 25 December 1977.
54. "Resolution of the Eighth Plenum of the Central Committee on the Status of Fulfillment of the Tasks of the First Party Congress," *GRANMA*, 16 May 1979.
55. "These results are less satisfactory if examined from the qualitative point of view, due to the problems which any profound, and in this case accelerated, change in economic management necessarily entails, the existence of unequal levels of technical development, both material and human, in the economic bodies, as well as various levels of capacity to assimilate on the part of our cadres, for which reason a sustained effort is required to eliminate the basic shortcomings revealed." Resolution of the Eighth Plenum of the Central Committee on the Status of Fulfillment of the Tasks of the First Party Congress, op. cit.
56. An assessment of the results obtained is facilitated by the following data:

	Increase between 1958 and 1978
Gross investment volume	6.25 times
Value of construction	5 "
Gross electricity generated	3.2 "
Sugar production	1.3 "
Nickel production	2 "
Cement production	3.5 "
Fertiliser production	5 "
Citrus fruit production	2.8 "
Textile production	2.5 "
Egg production	6 "
Fish production	10 "
Average wage	1.9 "
Average wage of farm workers	3 "
Public health, per capita of the budget	12 "
Social security, per capita of the budget	2.9 "
Education, per capita of the budget	11 "

57. Concerning the current status of the economic structure of the country, Comrade Humberto Perez has quite rightly stated the following: "In the 20 years which have elapsed, despite the extraordinary advances of our revolution, we have not achieved the average rate of growth needed to allow us to emerge from underdevelopment, nor have we been able to overcome the distortion we inherited from capitalism..." H. Perez, speech delivered at the closing session of the National Preparatory Seminar for the Drafting of Studies on Future Economic and Social Development Through the Year 2000, GRANMA, 18 Oct 1978.
58. See "Proposed Economic and Social Guidelines for the 1981-1985 Five Year Period," Havana, 1980.
59. Perez, Humberto, "What the People Should Know," Interview in BOHEMIA, No 7, 16 Feb 1979, p 73.

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## BANK CREDIT IN SOCIALIST ECONOMY EXPLAINED

Havana ECONOMIA Y DESARROLLO in Spanish Mar-Apr pp 10-29

[Article by Ernesto Lopez Hernandez: Cuban public accountant, assistant professor in the Finance Department of the Faculty of Economics at the University of Havana]

[Text] In our socialist economy, enterprise capital plays a basic role. It constitutes the material values guaranteeing the productive process for the development of society and the uninterrupted nature of the productive process.

Enterprise capital is divided into productive capital and working capital, precisely in accordance with the role they play in the development of the productive process. Productive capital in turn is divided into fixed capital and turnover capital.

This classification of productive capital was established by Marx on the basis of three fundamental aspects: first of all, the form in which the value of the resources is transferred to the product of labor; secondly, how long the resources last during the turnover cycle; and third and finally, the functional role these resources play in the production process.

In this connection it is considered that the value of fixed capital is transferred to the finished product or to the service rendered in gradual fashion, to the extent that it is used up in the course of the production process or the rendering of services throughout various periods, without changing its material-natural aspect basically, while the turnover capital transfers its value to the finished product or the service rendered at one single time, being incorporated in it in its totality in a single period in the production cycle, and losing its material-natural aspect at the moment of its use.

On the other hand, in addition to these characteristics typical of turnover capital, we must bear in mind that it is not homogeneous but can in turn be subdivided into two major groups: the first includes the turnover funds playing a direct role in the productive process, which are transformed as that process advances; the second group includes the turnover funds awaiting transfer to the production process. These latter Marx called "hidden production resources," since they are provided by the production stocks which are stored and on which no process of transformation has yet been effected.

The other large category of enterprise capital, the working capital, is the result of the production process after its completion.

The productive turnover capital and the working capital comprise together the turnover resources on which the bank grants short term credit to support their creation and mobilization, in order thus to make possible the uninterrupted turnover of these resources.

The turnover cycle for the enterprise resources was expressed by Marx in the formula  $D - M \dots P \dots M' - D'$ , in which  $D$  represents the monetary resources available to the enterprise for the purchase of the raw and other materials represented by  $M$ , which enter into the productive process, represented by  $P$ , which on completion makes it possible to obtain a finished product with a new value incorporated in the productive phase, represented by  $M'$ , the product of which, after marketing, i.e. sale and payment, is the income represented by  $D'$ , which makes it possible to recover the resources invested in the processing of the product and an additional quantity, which is the profit obtained as the end point of this process.

This turnover cycle for resources is divided into three clearly identified phases, which are interlinked among themselves but in which specific activities which should guarantee the continuity of the cycle. The first phase,  $D - M$ , is developed in the working capital sector and in it a change in the form of value occurs, in that the monetary form of value is changed into the commodity form of value. In this phase there is no process of change, since it is only the moment at which the turnover resources such as raw, basic and auxiliary materials, fuels, etc., which will later be processed, are obtained. In this phase, the enterprise acts as a purchaser, and during it, payment is made for the purchase of these resources.

The second phase,  $\dots P \dots$ , occurs in the production sector, since fixed capital assets, turnover resources and the labor force come into play here. It is through the integration of these resources that the transformation of the turnover resources acquired in the first phase occurs. This represents the basic phase in the turnover cycle, because during it a new value is created. A part of the raw and other materials are transformed into a new product, and another part removed in the production process in the form of semiprocessed products or products being processed. In this phase, the enterprise acts as the producer.

The third phase in the turnover cycle for resources,  $M' - D'$ , develops, as does the first, in the working capital sector. The typical aspect of this phase is marketing, that is to say, sale and collection for the finished production, thanks to which the monetary resources representing income are obtained, including, as we explained previously, both recovery of the resources invested and the profit of the enterprise. These monetary resources acquired through the change in the form of commodity value to the form of monetary value should make it possible to renew the turnover cycle. Here the enterprise acts as a seller, and its task involves collecting the value of the product sold.

As can be noted, the turnover resources of the enterprise are found in each and every one of the three phases which comprise the turnover cycle, but they are seen in different forms. This fact makes it possible to classify the turnover resources of the enterprise in two large groups, in terms of their sphere of action, i.e.,

turnover resources in the production sector (second phase) and turnover means in the working capital sector (first and third phases). The first mentioned, that is to say those found in the second phase of the turnover cycle, are made up both of production stocks and unfinished production. Production stocks include raw, principal and auxiliary materials, replacement parts, supplies, tools and machinery, fuels and containers. Unfinished production is made up of the main production in process, auxiliary production in process and expenditures for future periods. All of these turnover resources in the production sector are ordinarily subject to norming.

The latter, i.e. the turnover resources found in the working capital sector are made up of finished production, goods for sale, goods in transit, goods shipped but not invoiced, accounts receivable, and the monetary assets in bank accounts. Of these, with the exception of accounts receivable and monetary resources, the balance are susceptible to norming. Thus in terms of their organization, the turnover resources of an enterprise can be classified in two groups, normed turnover resources and those which are not normed. Whenever what is wanted is for the enterprise to have available the certain minimum quantity of these resources indispensable for guaranteeing the continuity of the turnover cycle, they will be subject to norming. On the other hand, when it is not necessary for the enterprise to have these minimum quantities available, the turnover resources will not be normed.

Another classification which can be made of turnover resources of an enterprise has to do with their financing sources. Normed turnover resources found within the framework of financial norms are usually financed either by allocations of resources from the state budget or through the resources of the enterprise itself, as well as fixed liabilities. Those which are found outside the framework of financial norming are basically financed by means of short term bank credit, as well as the increase in fixed liabilities pertaining solely to accounts payable to suppliers. The financing sources for nonnormed turnover resources may be short term bank credit, loans due, undistributed profits as well as other sources provided by the increase in fixed liabilities unrelated to accounts payable to suppliers.

This situation is evidenced on the basis of the special aspects of the turnover cycle for turnover resources in the various branches of the national economy, since depending on the regularity of the movement of funds through the various stages of the cycle, enterprises can be divided into two groups:

First group: enterprises with an irregular cycle for the turnover resources; and

Second group: enterprises with a relatively regular cycle for the turnover resources.

Farm and industrial enterprises which process agricultural raw materials belong to the first group, since their production develops in cyclical or seasonal fashion, and it is they precisely which are characterized by the seasonal nature of their accumulation of material values. In the course of the turnover cycle for their resources, it is easy to distinguish two phases: the first, when a sharp increase occurs in the stocks of material values, and the second, during which these stocks gradually decrease.

The second group includes the rest of the industrial enterprises and trade organizations, in which increases and decreases in the stocks of material values are also seen, but with the difference that these changes do not come about suddenly and the periods of increase or decrease cannot be foreseen. Therefore, the need for turnover resources in these branches is a varying need. The nature of production in these enterprises is relatively continuous or nonseasonal, and both the supply of material values and consumption reveal a certain regularity.

From what has been said above we can see that each enterprise requires a different volume of turnover resources in the various periods, and the problem involves organizing the formation, maintenance and use of these resources properly such that the enterprise will at all times have available those it needs while simultaneously avoiding excessive accumulations which would mean its immobilization.

The organization of the turnover resources is based on the following principles:

1. Application of the scientific norming of turnover resources so that the level of the financial norm is not set arbitrarily, but is determined taking all the factors which influence it into account.
2. Establishment of the proper balance between the turnover resources of the enterprise itself and loans, that is determining what part of the turnover means should be financed from the sources the enterprise itself has and what part by bank credit, at each moment.
3. An effort to speed up the turnover resources cycle to achieve better economic results with the indispensable quantities.
4. Establishment of a regime of maintenance and use of the turnover resources ensuring proper discipline in both directions to avoid waste, loss, deterioration or other effects having a negative influence on economic results.
5. Ensuring an increase in turnover resources within the framework of financial norming based on the resources of the enterprise itself, using planned accumulations based on profits earned for the purpose.

The efficiency of the work of organizing the turnover resources will depend on the correct application of these principles and the level of demand established for their fulfillment. This is of great importance to our economy, in view of the large volume of resources which must be mobilized in order to guarantee the fulfillment of the production plans and the marketing of that production.

#### Short Term Bank Credit--Purposes and Principles for Its Granting

An important aspect pertaining to the application of these principles is the separation of turnover resources into those of the enterprise itself and loans, which as we have explained, makes it possible to establish the proper balance between them. Two methods are used for this delimitation. According to the first, the resources of the enterprise itself constitute the source of financing for the volume of turnover resources within the framework of financial norming, and the volume of above that is financed by means of bank credit. According to the second method, the resources of the enterprise itself will be used to finance a part of the stocks



of turnover resources within the framework of financial norming, and bank credit will be used to finance the balance, as well as the stocks which are created above that norm.

The establishment of these methods makes it possible to specify the specific purposes for which short term bank credit is granted in a socialist economy, with a view to ensuring the proper use of this source of financing. These purposes can be set forth as follows:

1. For the creation above the financial norm of seasonal stocks and other stocks of material-commodity values for which the time provides.
2. For the formation of stocks of raw and principle materials and production in process related to the production of new products or products of better quality above the financial norm.
3. For the formation of stocks of material-commodity values within the financial norm, and for the payment of wages in enterprises in the nonseasonal branches of industry.
4. For temporary expenditures pertaining to production and the storage of production.
5. For payment operations to suppliers, bills for collection in transit, goods shipped and services rendered, as well as for other needs pertaining to collection and payment operations.
6. For the payment of wages.
7. To supplement temporary shortages of the turnover resources of the enterprises themselves and for the redistribution of turnover resources and profits.
8. For needs of a temporary nature.
9. For other specific purposes occurring in the advance toward fulfillment of the production and marketing plans.

The role of bank credit in the planned organization of turnover funds is designed to achieve very specific goals, such as the mobilization of monetary resources, coverage of shortages of resources in the form of loans, the organization of monetary circulation both in the cash and noncash sectors, and guaranteeing control of the economic and financial management of enterprises through the monetary unit.

Under the present conditions, one of the most important economic problems in the socialist society is increasing the efficiency of production and improving the quality of the product produced. The role of short term bank credit is related to the solution of this problem and currently the sphere in which credit is used is being expanded on the basis of the emerging new goals of credit financing and the development of the existing forms of credit.

The bank follows certain procedures, which we will examine later on, in order to control the maintenance and use of turnover funds by enterprises during the process of granting short term credit, but we want to stress here some of the aspects which the bank verifies in order to check on the status of the turnover resources of the enterprise itself, such as:

1. The relation between the volume of its own turnover funds and the need as established in the plan.
2. Changes in the volume of turnover funds resulting from changes in the volume and conditions of production and its marketing, due to the variation in prices and the effects of other economic factors.
3. The use of turnover funds for the purposes stipulated in accordance with the basic activity of the enterprise.
4. The turnover of resources and the efficiency of their use.

These checks are designed to establish the proper use by the enterprises of their own turnover funds and to detect deviations in the allocation of resources to goals which were not planned or established legally. The verification of the status of the stocks of material-commodity assets and values represents the basic element on which bank control of the use of turnover funds is based.

We should recall that Marx said that credit represents a special form of monetary movement and one of the forms of the monetary economy. From what has been said above we can deduce that the need for credit in a socialist economy depends on the volume of production and circulation of a commodity nature, on the functioning of and need for monetary-commodity relations, on the action of the law of value, although it is subordinate to the basic economic law of socialism, on the conditions of the turnover cycle for the social product and on the conditions for the turnover of resources in enterprises in the national economy, as well as on the use of the monetary form in accounting and the control of production and distribution of the social product based on the cost accounting system.

On the basis of the functioning of these factors conditioning the need for credit in the socialist economy, it is essential to establish proper organization of this activity so that it can play the true role allowing the achievement of the goals set. Now then, on what basis is the activity pertaining to bank credit organized? In what sector does it operate and what is its scope of action? How is the mobilization of resources guaranteed? What will the functions of credit be?

These and other questions which may arise in the process of analyzing this activity are not difficult to clarify if we recall that the turnover cycle for the resources of the enterprise is made up of three phases, and in the first, the purchase of the means of production is effected, to create the productive capital, that in the second the process of production occurs, which will have as a result the completion of a given quantity of finished product and a volume of resources in terms of products in process, and that in the third phase, the finished production is marketed, i.e., sold and paid for. During this process we can see that the value passes successively from one form to another, i.e., from the monetary form to the commodity form and vice versa. It is also evident that as a result of the continuity in the productive process, enterprise resources will be found simultaneously in all phases

of production, either in the form of stocks of raw and other materials, in the form of products in process or in the form of finished products.

The period of production marketing, i.e., the time when payment is collected, does not coincide in time with the period the expenditures are made. Due to this fact, two peculiar situations occur in socialist enterprises: in some enterprises, there will be resources regarded as temporarily available assets and in others, there will be temporary needs for monetary assets above the resources it has available as its own.

Temporarily available assets have different characteristics, depending on the level involved. For example, in enterprises, in addition to those described above, these resources may include among others the accumulation of amortization charges, resources derived from profits, resources pertaining to the payment of wages, etc. Also the budget institutions have temporarily available resources, deposited in their current accounts in the bank, and the budget surplus too can be regarded as a temporarily available asset. On the other hand, the population in a socialist society effects certain savings for various purposes, and for a certain time, these resources fall into the category of temporarily available assets, until they are used for the specific purposes for which they were planned.

These temporarily available resources are concentrated and accumulated in the bank for the purpose of allocating them on a repayment basis to those enterprises which, for the reasons set forth above, have a temporary need for monetary resources. It is important to realize that with the assistance of this mechanism, resources are constantly in use on the national economic level, i.e., they are constantly maintained in enterprise turnover, thus assuring an increase in the efficiency of their use. This whole process is carried out in planned fashion, fully consistent with the task set forth in the national economic plan.

It should be emphasized that credit allows resources accumulated on a temporary basis to be used simultaneously as monetary reserve funds for the enterprises and as resources for bank credit. This form does not in any way limit the ability of the enterprise to manipulate its resources, since in case of need, it can always make use of them, and if it has further needs, it can obtain additional resources in the form of credit.

It is clear from all of this that the essence of credit in a socialist society involves encouraging the optimum and most effective use of resources to accelerate development in the national economy in the interests of each member of society and society as a whole. Thus credit under socialism is a form of economic relations linked with the accumulation of the resources the enterprises, the state budget and the population have temporarily available, for their productive use as loans with a view to increasing the means of production, consistent with the provisions of the law of proportional and planned development of the socialist economy.

All of these tasks which the bank carries out in connection with the granting of credit to enterprises are governed by certain basic principles, the special aspects of which we will proceed to examine.

The first principle in the granting of credit requires that it be allocated directly by the state bank to the enterprises and organizations in the national economy which have a temporary need for additional resources. Under socialism there is no commercial credit between enterprises, i.e., there should be no financing of turnover funds between them. According to the legislation in effect, the state bank is the single center for emission, depositing and payment in the country, and therefore, it is the only institution authorized to grant credit on the basis of the temporarily available resources it accumulates.

The second principle provides that credit is of a planned nature, since the entire socialist economy is governed by the planning law which represents an objective law governing this kind of production, and therefore, its volume on the national level as well as on the level of the various enterprises and branches of the economy is established on the basis of the tasks in the national economic plan, in order to ensure their fulfillment with the necessary resources. This principle is expressed in the credit plan of the state bank, which is linked with the material balances and other financial plans for the national economy.

The third principle provides that credit is granted for specific purposes--since it is linked with the indicators in the national economic development plan--and for those specific goals or groups of goals which are set forth in the credit plan of the bank, and the use of those resources for the financing of purposes other than those established is not allowed.

The fourth principle for the granting of credit requires that it be supported by material assets and values so as to guarantee the sources necessary for its amortization. The change in the forms of value which occur in the productive process will cause the material assets on the basis of which credit is granted to adopt the monetary form as the final result of the process of production and marketing of it.

The fifth principle provides that the resources obtained through credit must be repaid within a fixed period. This is guaranteed by the turnover cycle of the enterprise assets, since as the credit is backed by these assets, the credit can be amortized on the basis of the resources obtained from marketing if the plans for production and its marketing are fulfilled. The amortization periods are established specifically and are determined by the planned turnover of means in the production process at the enterprises.

The sixth and final principle for the granting of credit provides the bank should be paid a certain amount for the use of the credit in the form of interest, the rate of which will be applied to the volume of that credit, all of this contributing to the better utilization of credit resources. This situation takes on a principal aspect if we take the paid nature of the use of resources under the cost accounting system into account.

In this latter connection, and to expand a bit on the content of interest in a socialist society, the action of the objective economic laws of that society, social-popular ownership of the means of production, and the use of the cost accounting system as the economic management system impose a content upon interest different from that it has in a capitalist society. It must be stressed that in a socialist society interest is a part of the surplus product and is therefore paid out of the enterprise profit, thus establishing the direct relation between interest on credit



and the volume of enterprise profits, which contributes to the better utilization of credit resources and those of the enterprise itself, as well as a search for all kinds of reserves which can guarantee the maximum use of these resources.

The differentiation of interest rates in a socialist society is an expression of the difference in the content of interest in this society, and clearly reveals its essence as a management tool making it possible to redistribute resources as a function of society's needs. The amount of the interest rate is closely linked with the amount of payment for funds, since the correlation depends on the existence of optimum correlation as to the use of the resources of the enterprise itself as well as the use of credit by socialist enterprises.

To summarize, the application of the basic principles on which the granting of short term bank credit is based in a socialist economy seeks as its main goals raising the level of planning, the introduction and the strengthening of full cost accounting, as well as a guarantee of financial-credit discipline in enterprises in economic organizations.

#### The Purposes and Types of Short Term Credit

When we described the content of the principles on which the granting of credit is based, we saw that they include the provision that credit will be granted for specific purposes, and therefore that the purpose for which short term bank credit is granted must be the specific element in the productive turnover funds and the working capital the value of which exceeds the part corresponding to the turnover means of the enterprise itself. These resources are obtained on a planned basis from bank credit.

The purposes of short term credit under socialism can be classified in three major groups:

1. Material-commodity assets and values, including both those within and in excess of the financial norm, seasonal and nonseasonal resources, and stocks in the production and circulation spheres.
2. Production expenditures, both seasonal and nonseasonal.
3. Assets and values in circulation, including needs for resources developing on the basis of the functioning of the collection and payment system in the noncash sphere and the need for resources to cover current payments.

The grouping of the purposes of credit is linked with the economic characteristics listed below:

1. The funds obtained from bank credit are used both in the production and circulation sectors.
2. These funds play a role in the expanded reproduction of the economy in both sectors.
3. The purposes of credit must have material form, or be expressed in the form of monetary resources.

4. Credit for the various purposes is granted on a planned basis and in accordance with the indicators in the national economic development plan.

Another important aspect of the organization of short term bank credit in the socialist economy is the determination of the various types of credit, which are classified on the basis of various criteria.

The first classification divides the various types of credit on the basis of the purpose for which credit is granted. Classification according to this criterion includes credit granted for material-commodity assets and values, for production expenditures and for assets and values in circulation. The latter are classified in turn as credit for payment operations and payment credit.

Another criterion for the classification of the various types of short term credit is based on the distinction between the turnover assets of the enterprise itself and loans. In accordance with this criterion, the classifications are credit above the financial norm for the turnover assets of the enterprise itself (both for paid stocks and advance payments), credit for the payment of material assets and values within the framework of financial norms, and credit for interruptions in payment turnover.

The types of short term credit can also be classified on the basis of the level to which they are backed by material assets and values, with this classification including credit with direct security, which is that granted on stocks within and in excess of the financial norm, as well as credit on bills for collection in transit; credit with indirect backing, which is that allocated for the payment of bills for collection; and credit without security, for the replacement of the turnover assets of the enterprise itself when there are resource shortages, and credit for the redistribution of turnover assets and profits.

Finally, the types of short term credit are classified on the basis of their planning, as individually planned credit, which is that allocated specifically to various enterprises within the credit plan, and that planned over all, which is that granted in terms of the overall total available to the bank credit agency for meeting unforeseen situations, and which it has not been possible to plan individually by enterprise and economic organization.

#### Short Term Credit Financing Methods

Having established the classification of the purposes and types of credit in relation to the organization of short term bank credit in the socialist economy, it is necessary to specify three basic aspects:

1. The credit financing methods to be used.
2. The accounts which will be used to channel the transactions.
3. The limits which must be established to check on implementation.

First of all, we must establish the credit financing methods to be used. In this connection, we recall that on the basis of the characteristics of the production process, enterprises can be divided into two major groups: those with cyclical

or seasonal production and those with continuous or nonseasonal production. In the former, i.e., seasonal production enterprises, irregularity is seen in the turnover of resources, as we saw previously, and for the turnover assets of these enterprises, financial norms are established on the level of the minimum stocks essential to guarantee continuity in the turnover cycle. These stocks within the framework of the financial norm, will be totally backed by the resources of the enterprise itself and will thus constitute its own turnover assets. The stocks formed above the financial norm and within the planned limit will be backed by bank credit, and they will represent turnover assets on loans. These stocks will serve as the material security for the credit granted to finance them.

For these enterprises, the method called credit financing on stocks of material-commodity assets and values will be used. The use of this method offers the advantage that it does not immobilize the resources of the enterprise itself, since the total need will be maintained at the level of the financial norm or above it. In this type of enterprise, bank credit does not play a role in the financing of stocks within the framework of the financial norm, nor in the increase of it, since these increases must be financed out of the resources of the enterprise itself, and in particular, from its net profits.

The peculiar aspect of this method is that when credit is granted for stocks of material-commodity assets and values, its allocation and amortization depend on the change in the volume of these values, in other words, when the volume increases credit is granted and when it decreases, amortization takes place. It should be emphasized that here the turnover of material values is not taken into account and credit is not granted when there is no change in the volume of resources.

In enterprises in the second group, in other words in the enterprises in which production develops in continuous or nonseasonal fashion, a relatively regular turnover cycle is characteristic. This is due to the fact that it is not necessary to carry out seasonal accumulations of large stocks in these enterprises since both supply and consumption show certain regularity. Therefore, the financial norm for the turnover assets of these enterprises is established as the average resources on hand, and the total resources will vary from the average, i.e., in some periods the total will be above the average while in others it will be below it.

Because of this situation, it is not desirable to use the resources of the enterprise alone to finance stocks within the framework of the financial norm as is done in the first group of enterprises, since when these stocks decline below the average the resources of the enterprise as such would be immobilized. It is to avoid this that double financing of the stocks within the financial norm is established, such that a part of the financial norm is backed by the resources of the enterprise itself and another part by bank credit. The stocks formed above the financial norm will also be financed by bank credit. In these cases, the method of financing by turnover of resources and on the basis of partial participation is applied. When credit is granted on the basis of turnover of means, it is linked with the movement of material values, in other words when materials are added to turnover stocks credit is allocated to pay for them, and when they are used up and payment is received the credit is amortized.

To summarize, in the first group of enterprises with an irregular turnover cycle, credit needs are conditioned by stocks, and in the second group, with a relatively regular turnover cycle, credit needs are based on the turnover of resources, and not by stocks.

After the credit financing methods to be used have been established, it is necessary to establish which accounts will be used by the bank for channeling these transactions.

When credit is granted by the method involving stocks of material-commodity assets and values, the simple credit account is used, and when credit is granted by the method involving turnover and based on partial participation, the special credit account is used.

The use of these accounts is based on certain general considerations, to wit:

1. They reflect both the sums the bank pays to the enterprise and the amortisation periods and amounts.
2. Credit is allocated to these accounts on the basis of the principles established for the granting of the credit.
3. The payment of credit is dependent on the methods and norms in effect for each branch of the economy, the structure and composition of the purposes of credit which will provide material security, the degree of unity or disparity in the means which are the purpose of credit financing, and the procedure established for the granting of the credit and its amortisation.

Apart from these aspects of a general nature, each type of account has its special characteristics. The simple credit account is used for credit financing of stocks and for each enterprise, as many accounts of this type as it has purposes of credit are established. The material security will be represented by homogeneous resources.

Another special aspect is that the enterprise must inform the bank of its credit needs as its stocks accumulate and to this end, the presentation of the information pertaining to the stocks which has been paid for above the financial norm will have to be submitted in order to define the volume of credit to be granted. This reveals the compensatory nature of this type of credit. On the other hand, the bank allocates credit after verifying the information and within the limits available. This account is used both for the allocation of credit for the needs planned individually by the enterprise as well as for those planned overall by the bank.

The amortization of credit is effected through a corresponding transfer of resources from the operating account of the enterprise to its simple credit account. This account is also used by the bank when it wants to exercise greater control over a given purpose of enterprise credit, in the event that the latter receives credit based on the turnover of resources. In this case the turnover item is abstracted and financed by means of an independent simple account.



The special credit account also has its special characteristics differentiating it from the simple credit account, since it is used for credit financing based on the turnover of resources. For each enterprise, only one account of this type is opened and all of the purposes financed are handled through it. It is not necessary to submit an application to the bank in order to receive credit, nor is it necessary to submit any prior information about the material stocks, since a general commitment pertaining to the fulfillment of all the conditions and regulations for credit financing is submitted to the bank on one single occasion.

The verification of information is carried out subsequent to the granting of credit, and thus in terms of the form in which it is granted, this is credit for payment. On the other hand, the amortization of credit is carried out on the basis of the monetary resources collected by the enterprise and deposited in this account, without passing through the operating account. In addition, the settlement of debts and the verification of material security are generally effected once a month subsequent to the granting of credit.

As can be seen, each of these accounts has its peculiarities in order to facilitate the application of the methods of granting short term credit based on the character and the frequency of deliveries of material-commodity values, the role the borrower plays in social production, and the tasks in the monetary control spheres.

The third aspect pertaining to the organization of short term bank credit in the socialist economy which must be determined has to do with the limits which must be established to control its application. As a general rule, credit is granted to enterprises and organizations within the framework of total limit called the credit limit. There are established limits for the majority of the purposes of credit and only in some cases for which the regulations in existence provide is it possible to allocate credit for purposes without limit.

The credit plan is determined by the variation in balances between one period and another, which means that the credit limit is the maximum amount established for the various purposes in accordance with the quarterly credit plan. This makes it possible for the enterprise to obtain credit on condition that the principles governing the allocation of it are observed.

There are various approaches to the credit limit, such as for example the disbursement limit, which represents the maximum debt balance which an enterprise may have at the end of the planned quarter for a given credit purpose or group of purposes, and which will be amortized over the subsequent quarters. There is also a quarterly limit, which is the surplus above the balance at the beginning or the end of the planned quarter, which must be amortized in the course of that period. This limit approach is used when irregularities in the delivery and marketing and material-commodity values are observed during the period, and is in other words the maximum delivery amount within the quarter. It is frequently used in nonseasonal industries.

The decreasing limit is a variation of the quarterly limit, and is approved only if the debt at the beginning of the quarter exceeds that planned for the end of the period, and therefore it is necessary to guarantee the amortization of the credit up to the level planned as a disbursement limit. Another approach involves the

delivery limit, known also as the payment limit, and it is determined by the maximum amount of credit to be allocated during the planned period. The control figure is used when financing is provided on the basis of partial participation, and represents the amount of credit financing a part of the stocks within the financial norms. It is different from the disbursement limit in that the debt based on turnover varies above or below the control figure, that is it may be greater or smaller, while with the disbursement limit, the debt for the credit can never be greater than the credit itself.

There are various types of credit which are granted without limit, and this is due to the specific characteristics they have. These are special situations in which the enterprise can obtain unlimited resources in order to provide a solution to certain problems which may develop within the circulation or the production sphere. For example, in enterprises which process raw materials obtained from agriculture, this constitutes a purpose with unlimited credit, since it is necessary for the enterprise to have available the resources necessary for the storage of this raw material and thus to make possible the formation of the stocks which will guarantee an adequate level for processing and producing the goods at the times when this raw material cannot be obtained. There are also other specific types of credit without limit, for example the credit granted on bills for collection in transit, credit for payment operations, payment credit, etc.

The proper establishment of credit limits and the proper use of credit is of great importance to guarantee the proper organization in the whole processing of allocation, repayment and control of short term bank credit, and thus it is an activity preceding the allocation of credit to which due attention should be devoted. The limits constitute planned figures and their establishment takes into account the levels established by the enterprise as a function of the planned movement of its material-commodity values. It is for this reason that it is necessary to strengthen the planning process within the cost accounting system, which will present both a situation in which the enterprise has available resources which for lack of use become immobilized or exceed available resources, or a situation in which it lacks the resources essential to allow an adequate rate of turnover of its resources and to guarantee its acceleration.

We have sought through this article to provide as detailed a view as possible of the organization of turnover assets in the socialist economy, and to clarify the various types of short term credit routinely granted, as well as the methods of credit financing used for seasonal production enterprises and those with continuous production.

There is an undeniable need for a still more detailed analysis of the peculiarities related to the procedures for the granting and amortization of the main types of short term credit which the bank grants to enterprises working under the cost accounting system. It was not possible to undertake such an analysis within the framework of this article, but in the future we propose to take up such interesting aspects as the procedures related to the granting and amortization of credit on material-commodity assets and values, credit for production expenditures, and credit on assets and values in circulation.

In addition, we will also set forth the procedure for the granting and amortization of one of the specific types of credit which takes on great importance under the conditions of full cost accounting. This is the credit granted to supplement and redistribute turnover means and profits within the ministry system. Another interesting aspect which will also be taken up within the framework of the next article will be bank control of the short term credit financing process, which is of vital importance in order to guarantee the proper use of resources on the various levels and which reflects the active role of the bank in the socialist economy.

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## NEW COURSES, CAREERS IN MILITARY DESCRIBED

Havana VERDE OLIVO in Spanish 17 May 81 pp 52-53

(Article by Roberto Campos: "New Soldiers")

[Text] The boys looked up from their notebooks, listened to what the radiotelegraphy teacher explained to them and assumed the correct position to begin transmission.

Their hands moved toward the keys on the desks but, at that moment, we interrupted the class and went in.

When they noticed us, the prerecruits stood at attention. Led by the group chief, they recited the emulation motto of the collective.

Years ago, who could have imagined that our FAR would offer these courses? I remembered conversations with comrades who responded to the first enlistment call in 1964. I mentally analyzed the problems in those times. I could see a group of boys--like those in front of me--endeavoring to move a cannon and place it in position in spite of mud, digging a trench, watching the enemy without having slept the night before or learning how to handle the old guns.

However, the youths who welcomed us face a different reality. Many study in intermediate education classes; others work and view the future with the eyes of socialism.

Their faces are like an open book and show the joy of adolescence and the spirit that carried the Mambises to the war of liberation.

To assume this about boys who think about their studies, music, dancing, the girl next door and other concerns characteristic of that age might just be imagination.

However, those who study here told us about their motivations and aspirations, their willingness to learn and prepare themselves. They said that on the first day of class they felt overwhelmed by the position they had to assume to transmit well and the quantity of numbers and words that were transmitted.

They told us about the first exercises which received good evaluations from the instructor who is only a little older than his students. They talked about the emulation and their aspirations. They inundated us with their little experiences, made large by the need to defend the fatherland.



Since SEPMI [Society for Patriotic-Military Education] began, it has trained thousands of junior specialists in 5 and 10-month courses. While instructing future soldiers, it provides them with a job in civilian life.

When we came to that classroom, we thought we would find uniformed boarding school students at the center but this was not true.

The youths who join the FAR today can be previously selected by the Military Committees to take courses to become junior specialists.

These boys need to meet certain political and educational requirements. Their imaginations turn to tanks, radio equipment, transportation or airplanes because, in many cases, they can choose their specialty to study and use in military life.

Without dropping studies or work, they train for the future three times a week or every night.

It was important for us to meet some of these youths who might be from Guantanamo, Camaguey, Matanzas, Havana or Pinar del Rio, among other places. We wanted to see how they study and verify that their reality is different.

We found the answers in that radiotelegraphy class that we visited just as many of our youths who begin military life will find answers to questions like: What will life in the combat units be like?

In what branch will I serve?

When I commented on my visit with those old friends who were the first soldiers in military service, I thought that this changed reality is part of our bulwark against enemy aggressions.

I thought that this meeting would help me write about the new soldiers of the fatherland.

#### Specialties Youths Can Study in SEPMI Programs Before Joining FAR

1. Drivers
2. Radiotelegraph operators
3. Operators of engineering equipment
4. Operators of construction machinery
5. Cooks
6. Health workers
7. Chiefs of food warehouses
8. Chiefs of clothing warehouses
9. Automotive mechanics
10. Automotive electricians
11. Motorcycle mechanics
12. Tractor operators
13. Teletype mechanics
14. Chiefs of firefighting squads
15. Film projectionists
16. Drill operators

17. Welders
18. Operators of the electrical plant
19. Finishers
20. Barbers
21. English courses
22. Parachuting

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## FAR LANDING, ASSAULT UNIT EXERCISE VIEWED

Havana VERDE OLIVO in Spanish 17 May 81 pp 32-36

[Article by Jorge Luis Blanco: "Soldiers in the Air"]

[Text] The objective of our visit to this FAR Landing and Assault Unit was to write about the first parachute jump of a large group of soldiers who recently joined General Military Service. However, before talking with the soldiers themselves at such a unique stage in the life of every parachutist, we decided to talk with comrades who had some experience in this specialty.

To our surprise, Felipe Gonzalez Escalona, with 15 jumps noted in his record, told us that, in his opinion, the first jump is not the hardest. It was the first time that we had heard such a statement.

Felipe said: "The hardest is the second jump because you still do not really know what you are going to face during the first jump. There is an unknown, nothing more. The second time there is the memory of the confrontation with the strong wind up there when leaving the airplane and that silence that is experienced during the first seconds. The senses are more alive and you are perhaps more worried."

Actually, for Felipe, the second jump was not the most upsetting. The twelfth stands out in his memory. On that occasion, he demonstrated all his courage while he verified the safety of the aerodynamic technology that permits him to descend from hundreds of meters in altitude.

He recalled: "We jumped from an AN-26. I was the fourth to jump but when I left the airplane, my gun got tangled with another comrade's stabilizer cord. We fell this way at a dizzying speed for some seconds. He was below because of his greater body weight and I was above trying to untangle the gun from the cord. I finally achieved it. We never got upset, confident in our knowledge and in the magnificent reassurance of the parachutes. There should not be accidents in this specialty if everything that the instructors have taught us is followed to the letter. That day we landed better than ever."

## The First Ones

Questions related to the role, place and basic missions of airborne troops in war as well as the practical organization of landings were answered theoretically in the Soviet Union in 1929, much earlier than other countries.

An airborne troop landing was made in 1935 during military maneuvers in the military region of Kiev for the first time in military history. It was considered very important at that time. On that occasion, 1,200 paratroopers jumped preceding another 2,500 soldiers with all their weapons, including field cannons, who landed in powerful transport planes.

It is recognized that the basic theories of combat use of airborne troops during combat actions as well as their organizational structure were elaborated in the Soviet Union and later adopted by the armies of the major capitalist countries.

#### The Chief

To First Lt Jorge Luis Sanchez Rivera, with more than 410 jumps, the training on land is the main element for every paratrooper who wants to achieve success in this exciting specialty.

He concluded: "When I say training on land, I mean not only the preparations for the jump but everything else too. A good paratrooper must be in constant readiness for the landing, rapidly prepare the combat equipment and weapons, master shooting with his weapon from the air even before touching ground, jump anywhere including the sea and know how to orient himself quickly on unknown terrain and in combat actions. Of course, during the first jump, it is only necessary to jump. I think that situation is similar to a child taking his first steps, slow at first but then steady. Of course, in parachuting it is necessary to walk steadily from the very beginning. That is the difference."

The land training range is of vital importance for the correct training of any paratrooper, especially those just starting. For example, the "lumping" system spins in several ways. The paratroopers acquire habits and skills in the coordination of the necessary movements for landing. It also helps prepare the inner ear to counterbalance the overloads that occur when the parachutes open.

First Lt Jorge Luis Sanchez said: "Another system is the suspension system where work in the air is perfected. How to accelerate and brake the parachutes and turn to the left or the right are learned and perfected here."

Of course, before making the first jump, every paratrooper must thoroughly know the technique to land without any problem. They receive a large number of hours of theoretical classes on parachutes and later practical classes on folding. A large percentage of the safety of the soldier lies in this.

"How has the training of the comrades who will make their first jump gone?"

The officer answered: "Very well. I personally have been in charge of instructing one group and I can assure you that their assimilation has been much quicker than expected. Their level of education--ninth grade average--is responsible for this."

The first task of the teacher or educator, including the military teacher, is to know his students--that is, to study their characteristics. It is evident that, as Karl Marx wrote, "in order to act, confident in success, it is necessary to know the material on which one acts."



First Lt Jorge Luis Sanchez Rivera is one of those chiefs who is constantly concerned with penetrating the minds of the soldiers under his command. Any concern of his subordinates is also his concern.

He said: "Every military profession demands very concrete psychological qualities. Some soldiers act in isolated conditions; others, like paratroopers, are under a constant state of tension. We have to work to increase the ability of the men to face any type of situation. If we do not know the peculiarities of each soldier, the work would be useless."

This young officer has won the affection and respect of his subordinates. When he has to be strict he is but, if it is necessary to joke with them, he does that too.

One young soldier about to make his first jump told us: "Our chief has indicated love for parachuting in us, almost without our realizing it. He trains with us as if it were also his first jump."

One very important aspect is that on the day of the jump, the officer will also be with his subordinates in the air.

Jorge Luis Sanchez explained: "This is done with the stressed objective that the instructors see that their chief not only trains them to make the jump but also jumps with them. Victories are won by example."

#### Protagonists

Youth is romantic. Most youths are bold and intrepid; they look for the extraordinary. They are not frightened by difficulties or dangers. On the contrary, obstacles generate the desire to test their strength and ability; there is the chance to do something exceptional, heroic.

When we asked these young soldiers what had motivated them to join this FAI Landing and Assault Unit, they all said the desire to experience new conditions, in addition to preparing themselves to defend the fatherland.

We asked Lazaro Rosas Maguila if he felt fear with the proximity of his first jump.

He was a little surprised by the question. He answered: "I have not thought about it, fear? No. Although I have not yet jumped, I am fully convinced of the safety of the parachute. Also the training I have received does not permit me to be nervous. No, I definitely do not feel fear."

Ismael Labrador said that he was psychologically prepared for his first jump and wanted that moment to arrive.

He confessed: "Waiting is my worst enemy. When I am in the airplane, I will feel calmer. The only concern that I have is that I want to jump now."

When Ismael Labrador spoke these words, we thought that he was indeed under a great deal of tension and that his psychological disposition would become calmer only after he had successfully tested his own abilities in practice. Jumping would be the best antidote.

Pascual Arroyo said: "I am going to the first jump thinking that I have made 100. Why be afraid if it was I who decided to join this FAR Landing and Assault Unit? I like parachuting."

Arroyo might think that these young soldiers would not be able to sleep the night before the jump, but they would be wrong. Not only did they have the most refreshing rest but some, before going to bed, went to the Unit Club to play one or two games of chess. With precise moves and steady hands, they checked their opponents without even thinking about their first jump, as strange as that seems.

### His Boys

This Landing and Assault Unit has been in existence for several years. It has fulfilled important missions like participation in the maneuvers for the 20th anniversary of the FAR and the Second Party Congress.

Lt Col Reinaldo Lopez is one of the founders. He has a rich background in this specialty. His knowledge is imparted with true love to those boys who have just begun. Perhaps he sees himself in them when he made his first jump on 25 July 1968.

"The jump was from an Mi-4 helicopter at 900 meters altitude using a Mi-8 parachute. I was not as young. I was already 35 years old and, at that age, one is more cautious. The jump went very well."

The conversation with Lt Col Reinaldo Lopez took place very near his boys as he usually calls the youths who are about to receive their baptism as paratroopers.

He was pleased. "They are very well trained. They are young, strong and very determined. The last preparation plan was 100 percent fulfilled. When I made my first jump, I do not think I knew as much as they do. Not only have they mastered each of the parts of the parachute and the way to make the jump but they have also received broad combat and political training. I can say that their training has been integral, as required by this specialty."

### Starting Now

On the floor of the airport from which the inexperienced paratroopers about to make their first jump will leave, the substitute for the unit chief for landing preparation personally checked each soldier's equipment.

He asked: "How do you feel?"

"Great" was the only answer that he received.

He gave them their last instructions!

"You are going to jump automatically with 3 seconds time. On the 'Plaza,' the wind speed is about 3 meters per second. Remember to land with the wind behind you and knees and legs together. Good luck!"

He accompanied his words with pats on the shoulders of each soldier.

The airplane went up and we all remained below waiting for the turn, especially the last one because that was when we would see the white silk cape that rapidly inflated, announcing the great event--the first jump.

After only 3 or 4 minutes, the smiling faces of Pascual, Ubaldo, Lazaro, Isaac and others, upon landing, would announce the happy fulfillment of a long-cherished objective: to be a paratrooper.

Then another stage in the preparation, perhaps the most difficult and requiring the most effort, will begin--to become excellent airborne soldiers, capable of fulfilling diverse combat missions.

That will not be only jumping.

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## CHANGING ENVIRONMENT IN AFRICA DESCRIBED

Havana VERDE OLIVO in Spanish 17 May 81 pp 19-21

[Article by Abando Lopez Rivera: "Africa: Era of Changes"]

[Text] The African continent always captured the imagination of men in other latitudes. Its "mysteries" and legends, its exotic nature, aroused interest in and passion for the so-called "black continent" or "the sleeping giant." The interest of the Western powers focused on the fabulous riches that flowed to the colonizing countries like inexhaustible rivers. First, man was hunted and sold as a slave to work in the new American colonies. Then he was forced to work as a slave on his own land to wrest its treasures from nature and to satisfy the white colonists' voracious appetite for profit.

That "giant" woke up from its long sleep a little more than two decades ago and broke the chains of colonialism. The empires crumbled at the pressure of the revolutionary and emancipating struggle. The first to withdraw were France and Belgium. Around 1960, almost all the French colonies and the so-called Belgian Congo had won independence. The British empire offered more resistance. Nevertheless, at the end of the 60's, there was only one British colony left in old Africa--Rhodesia.

It was precisely in 1960 that, at the initiative of the Soviet Union, the UN General Assembly approved the declaration granting independence to the colonized countries and peoples. This helped accelerate the decolonization process.

On 25 May 1963, 3 years after this declaration, the chiefs of state of 32 independent African nations met in Addis Ababa (capital of Ethiopia). They created the OAU and defined its main task: to extirpate the remains of colonialism and racism throughout the continent.

That was 18 years ago. Now the political map of Africa has changed. New nations have sprung up. The Portuguese colonial empire collapsed and countries like Angola and Mozambique appeared on the international scene as independent states. Finally, one of the bulwarks of racism and the last British colony in Africa achieved independence; Zimbabwe is the 51st state in the OAU.

What did colonialism leave behind in Africa? On 27 March 1977, President Fidel Castro answered this question in a speech given in Luanda after a tour through several countries on the continent:



"Africa certainly has rich natural resources. Africa could develop them; Africa could improve its living conditions vastly.

"But what do we see in Africa? What do we see especially in the peoples of black Africa? We see ignorance, illiteracy and diseases like malaria, tuberculosis, parasitism, poliomyelitis, tetanus, malnutrition, etc. There are no doctors, no hospitals; there is inadequate nutrition. In much of black Africa, there are no old people. Why? Why aren't human beings even allowed to grow old?"

The African continent continues to call the attention of mankind, not only through its exotic attraction but through the profound political and socioeconomic changes there and its intransigent fight against the remains of colonialism, neocolonialism and racism.

In Ethiopia the despotic feudal regime was overthrown and the construction of a new society began. The number of countries with socialist orientation increases. Literacy, agrarian reform, nationalization of natural resources, internationalist aid and the fight against underdevelopment are no longer just words. They have become reality in many African countries to confront the negative colonial legacy.

#### Washington, Its Interests in Africa

It was not enough to cut the ties of political control with the old colonizing countries. Not understanding this, some countries kept the existing structures and the preponderance of foreign capital in different sectors of the economy intact, remaining tied by an umbilical cord to the industrialized countries of the West.

The United States did not have any colonies in Africa since it arrived too late to get a piece of the action. However, with investments reaching billions of dollars, it carefully watched the changes on the continent.

The multinationals and the Pentagon showed great interest in that area which is enormously rich in mineral resources, including strategic raw materials.

"Africa is very important to the United States....The mineral and agricultural wealth of Africa already constitutes a considerable portion of our imports in raw materials for industry--such as copper, cobalt and manganese--and food products like cocoa and coffee. We import 38 percent of our oil from Africa. In the last 15 years, investments in Africa south of the Sahara have increased almost six times; our trade is now almost 12 times greater than it was 15 years ago," indicated Cyrus Vance, former secretary of state for the White House, in July 1977 in a statement on U.S. African policy.

More recently William H. Gray, a member of the U.S. Congress, stated in a speech on Africa and the African countries:

"Economically, Africa is increasingly more important to the West and the United States as a source of raw materials although its ability to resolve short-term supply problems is frequently underestimated. Africa means much more to the United States than the relatively few countries that export great quantities of key natural resources and which we have to deal with individually."

In another part of his speech, he referred to relations between Washington and the racist regime in Pretoria:

"Investments in South Africa have continued their long-term increase and continue representing about half of U.S. investments in Africa south of the Sahara. Much of this U.S. capital is in the strategic sectors of oil, computers and transportation and, without doubt, strengthens the general technological capacity of the South African regime."

Why does Africa matter to the United States? The main thing is oil which represents 50 percent of all U.S. imports from African countries. Nigeria, for example, is second in oil suppliers.

Other important products are platinum, nickel, copper, cobalt, aluminum and manganese. The largest exporters to the U.S. market are Nigeria (oil and cocoa), the South African Republic (various minerals, gold, diamonds), Ivory Coast (coffee and cocoa), Zaire (cobalt, copper, industrial diamonds), Ghana (cocoa, aluminum), Gabon, Liberia, Zambia and Madagascar.

The economy of these countries makes them important markets for "Made in USA" manufacturers. They export a broad gamut of products including grain, agricultural machinery and construction equipment and not excluding weapons, an important sector of U.S. foreign trade.

We must remember that Washington and the Pentagon give special attention to economic and military "aid" to the African countries. It is part of the strategy to consolidate imperialist positions on the continent, to politically pressure the independent countries and to have access to the sources of raw materials.

#### Maneuvers Against Namibia

The rising fight for liberation in the African southern cone and the successes achieved with the decolonization of countries like Angola, Mozambique and, most recently, Zimbabwe not only frighten South Africa but also the Western powers interested in perpetuating the existing order in Namibia and South Africa and in destabilizing the Front Line countries (Angola, Mozambique, Botswana, Tanzania and Zambia) in order to continue the insidious exploitation of the mineral reserves in the region.

This involves impeding the independence of Namibia under the direction of SWAPO (South-West African People's Organization), its only legitimate representative, and transferring the power through an "internal arrangement" to a puppet administration created by South Africa. At the same time, it involves supporting the racist regime in Pretoria so that it acts as a powerful bulwark against the national movement and the guardian of the political, strategic and economic interests of the West. Let us not forget that, by including South Africa in NATO's sphere of action, it was assigned an important role in the military organization because of its strategic position at the confluence of the Atlantic and Indian Oceans, the most important route for oil.

The West is not resigned to losing Namibia, one of the richest countries on the African continent. The "Rossing" mine, considered the largest deposit of uranium

in the world whose production in 1977-80, according to data in the International Press, was about 4,500 tons is located there.

U.S., British, French, West German and other capital participated in the exploitation of uranium and other strategic minerals of vital importance for the military industry: manganese, tungsten, vanadium and chromium.

Recent statements by the Reagan administration called South Africa "a friend and ally" which has "vitally important significance for the West" and called all the fighters for national liberation "terrorists." This greatly encouraged the racists in Pretoria who are on a "parade" with their counterparts in Washington.

Delegations from both sides continue to reinforce the alliance. However, the anticipated results are not always obtained. One example is the recent failure of Chester Crocker's trip to several countries in Africa.

Crocker, U.S. assistant secretary of state, said in one of his speeches during the African tour: "The United States has interests in all Africa and is ready to defend them." Without tact and with the usual arrogance of our northern neighbor, he said clearly and simply that the United States would defend the "right" to continue exploiting the riches of Africa and that it would reinforce its ties with the racists in Pretoria to impede the advance of the mythical "communist expansion" in southern Africa.

There was generalized rejection of the Washington embassy who also failed in the delicate mission of trying to divide the African countries over Namibia. In negotiation, the United States wants to get aside the plan set forth in UN Resolution 435 to grant independence to Namibia and replace it with the South African colonialist variant that fully satisfies the interests and aspirations of the West.

As we said, things did not work out as Washington hoped. The African countries categorically rejected the U.S. diplomacy that used "aid" dollars as bait. The members of the Front Line ones more reaffirmed their unconditional support for the UN and SWAPO plan. Crocker returned to Washington with the great disappointment of verifying that neither dollars nor the power of the West can dictate African policy or prevent the end of colonialism and racism. Africa, as we stated at the beginning, continues to surprise the world by the changes that are carried out in it and by its intransigent fight for national liberation and against every form of exploitation.

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## ARTILLERY SCHOOL RECEIVED EMULATION AWARD

Havana VENEZ OLIVO in Spanish 17 May 61 p 94

[Article by Jorge Luis Blarion "Worthy Victory"]

[Foot] A block of the Comandante Camilo Cienfuegos FAR Artillery School won first place in the March of the Fighting People emulation held at the Plaza de la Revolution to commemorate International Workers' Day.

At the award ceremony held in the FAR Universal Room, it was also announced that the block of the Gen Antonio Maceo Interservice School and the women's block of the National Revolutionary Militia won second and third places respectively.

Div Gen Arnaldo Uchao Sanchez, substitute for the minister of the FAR for combat readiness and the military education centers, presented the banners to the winning units.

These same blocks won the Military Inspection emulation commemorating the 20th anniversary of the proclamation of the socialist nature of the revolution except, on that occasion, a block of the Gen Antonio Maceo Interservice School won first place.

The criteria used to select the best blocks were as follows: step and military bearing; distance between lines, blocks and standard-bearers; right face; position of weapons; salutes among the chiefs; and presentation of arms.

Div Gen Arnaldo Uchao Sanchez transmitted a greeting from the minister of the FAR to the victorious blocks and to all those who participated in the March of the Fighting People.

Also present were: Brig Gen Roberto Viera Estrada, commander of the Great Havana Garrison; Col Adan Hernandez Gutierrez, director of the Comandante Camilo Cienfuegos FAR Artillery School; and other FAR chiefs and officers.

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## UJC FAR UNITS ATTEND METHODOLOGY COURSE

Navarro VERDE OLIVO in Spanish 17 May 81 p 54

[Article by Mario Rodriguez: "Methodology Class"]

[Text] A methodology class on the organic process that will be developed in the FAR for the Fourth UJC [Union of Young Communists] Congress was held at the Main House of our Institution. It was attended by the chiefs of UJC subsections of the political sections of the armies and armed forces and the instructors for UJC work from the different FAR commands.

The class was opened by Col Armando Saucedo Yero, member of the Central Committee of the party and first substitute for the chief of the Main Political Office of the FAR.

He pointed out how this organic process for the next congress of the political youth organization will begin in the local organizations of the Camilo Cienfuegos Military Vocational Schools and, in September and October, will extend to the military and paramilitary units. It will culminate in November and December. The conferences of the UJC with the political organizations of the divisions and brigades and with the political organizations of the armies and armed forces will be held in January and February 1982.

He emphasized: "This is the best time to begin the process of the congress. The economic, social and political successes of the past 5-year period, the national and international importance of the Second Party Congress and Commander in Chief Fidel's summons to production and defense help create a profoundly revolutionary climate in our fatherland."

In another part of his speech, Colonel Saucedo Yero referred to the most outstanding achievements of the UJC in 1980. These included increased demand and revolutionary combativeness in the ranks of the organization and the incessant strengthening of the members' example.

He pointed out: "The process for the fourth congress should be a top-quality political process that leaves a noticeable revolutionary impression on every youth in our country, on every one of our soldiers."

After stressing that this entire organic process must be conducted with complete demand, enthusiasm, criticism and seriousness, Colonel Saucedo stated:

"It is necessary to increase the influence of the UJC among the masses of youth, to strengthen its internal life, to increase support to the combat readiness activities and the combat, political, economic, social and educational training, to improve the political and ideological knowledge of our youth and to continue encouraging socialist emulation."

Later, during the class, the timetable for the main activities of the organic process was analyzed as well as the methodology for the development of evaluation assemblies, revision and ratification of mandates in the local organizations and the assembly process in the political organizations.

Finally, those attending the methodology class were instructed concerning the information system for the results of the discussion of the bill to amend the statutes and the bill on the Third Congress Theses.

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## EXPERIENCE IN DESIGNING COMPUTER PROGRAMS REPORTED

Havana ECONOMIA Y DESARROLLO in Spanish Mar-Apr 81 pp 150-170

[Article by Lazaro Blanco Encinosa, graduate in economic management, Cuban, specialist at the National Institute of Automated Systems and Computer Technology: "Some Experience in the Design of Standard Application Elements for Computers"]

[Text] The work set forth here describes the experience acquired in the work done by the author in organizations engaged in the planning of automated data addressing system (SAD) and standard application elements (EAT). The work was undertaken on the basis of the fundamental guidelines set forth in the program platform discussed at the First Congress of the Communist Party of Cuba: "...application (of computer technology) will be technically and economically based and will guarantee a saving in social labor in comparison to the traditional methods." In this report, some general characteristics of the SAD will be set forth, each of the standard elements involved will be explained in some detail, and the standard application elements will be more fully discussed as a basic component in the work.

## Automated Data Addressing Systems for Industrial Enterprises

The socialist industrial enterprise is the primary link in and thus the basis of the complex system of relations in the national economy. Due to this fact, and to the need to meet the challenge posed for the technical-economic management of these enterprises to continue the perfecting of the productive processes and production techniques, the line of development for the SAD must begin at the enterprise level, establishing a basic foundation for the progressive development of data addressing from the bottom upward, in the economic-structural pyramid developing in the national economy.

The term "automated data addressing system for enterprises" (SADE) means a system of data addressing making use of modern automatic data processing means (computers, apparatus for summarization, recording, storage, etc.) and economic-mathematical methods for the regular solution of the basic data addressing tasks in the economic and productive activity of the enterprise.

These systems must make high efficiency in enterprise data addressing possible. Their development, however, typically takes a long time. Soviet experience indicates that their development takes about five years, and the systems require

another three years to achieve the projected capacity. On the other hand, they are very costly. The same sources indicate that their cost varies between 600,000 and 700,000 rubles, coming in some cases to a million. In addition, they require a large number of highly skilled experts: eighty on an average.

For these reasons, a constant search is pursued for solutions leading to a decrease in the cost of planning and the periods of construction.

These solutions must be oriented toward producing a social savings in the design work on the SADE, as well as at each one of the enterprises planning to introduce the SADE, with a view to encouraging its use.

One of these solutions is the design of standard application elements. Before going into their characteristics in greater depth, we should mention certain aspects of the SADE which make it possible to use such elements.

#### The Breakdown of SADE into Subsystems

The limitations on the potential of economic-mathematical modeling, as well as the impossibility of formalizing economic goals over all, due to the high level of their dynamism and complexity, make it necessary to subdivide them for the purposes of studying their characteristics and developing the data addressing systems which should govern their functioning.

This process is known as breakdown-composition of the system in subsystems, and its goal is to obtain modular units which can be perfectly differentiated one from the other, such that each of them can be studied and developed separately, nonetheless guaranteeing the limitations which the other modules, the system as a whole and the environment impose upon it.

We find ourselves then with:

- a system, S;
- a complex, M, of elements or modules making it up;
- a complex, R, of relations between modules and between the system and the environment;
- a complex, P, of characteristics these models have.

Therefore, the system can be represented formally by the formula  $S=[MRP]$ .

Each of the elements of the complex M can be regarded as a "system" in itself (but of a lower order), since it retains a whole series of special aspects which characterize these systems as such.

These complexes, M, R and P, must change components in accordance with the criterion of composition-breakdown of the system used.

One of these is the "functional" criteria. It involves subdividing the system by specialties, with each subsystem obtained reflecting the economic and organizational essence of the processes carried out within its sphere of application. Each one of these subsystems carries out a complex of activities related to planning, analysis and control, the management and regulation of certain activities, in a given period of time. These subsystems, as a whole, yield a model of the functioning of the data addressing system.

Another is the so called criterion "by elements." When it is used, the system is subdivided into the so called support subsystems, which are:

- mathematical support;
- data support;
- organizational support;
- technical support;
- juridical support;
- methodological support; and
- cadre support.

These subsystems make it possible for the data addressing system to be developed and to function. It is through its operation that the functional subsystems are manifested.

Finally, we have the "vertical" or "hierarchical" criterion. From this point of view, the system is subdivided into a complex of administrative tasks (divisions, subdivision, departments, sections, workshops, etc.) interlinked by vertical and horizontal information flow (directives, control and result data, coordination information, etc.).

The three criteria mentioned above must be used repeatedly during the process of designing the SAD, in the various stages of development until the completion of the process of composition-breakdown of the system in subsystems is achieved, which will make it possible to reduce the intricate complexes of elements, relations and properties making it up to simpler forms.

It is precisely the application of these three criteria for the composition-breakdown in subsystems which has made it possible to develop standard application elements with an integral and modular criterion for construction.

#### The SAD and the Principle of Maximal Standardization

One of the principles which must govern the process of developing the SAD is the principle of maximal standardization, which postulates that the SAD designs must be drafted bearing in mind possible standardized solutions for certain parts of the design, and also with standardization with regard to other similar designs.



The principle of maximal standardization is based on the methodological, organizational, technical and informational homogeneity which characterizes the various systems and purposes of data addressing. Both in the process of developing and in the utilization of the SAD, there is a whole series of elements, methods, procedures, etc. which are seen in greater isolation during the process of dividing the SAD into subsystems and which can be common to a broad range of data addressing purposes.

These common elements may include:

- the structures and organizational processes of the purposes of data addressing;
- the economic-mathematical and administrative methods of data addressing;
- the data which flows through the various elements in the system;
- the technical means, etc.

These are a function, to a certain extent, of the level of standardization of the national economic tasks.

A "standard element" can be defined as a functional or support part of a system with a specific field of application which may have to do with the technical, methodological, informational, mathematical and organizational aspects of a specific data processing and addressing task.

In our work, we will classify these elements in four major groups, which will be explained more fully in the subsequent paragraphs. They are:

- standard functional elements (EST);
- standard structural-organizational elements (EEOT);
- standard computing elements (ECT); and
- standard application elements (EAT).

#### Standard Functional Elements

In a socialist society, when the workers' class assumes ownership of the means of production and political power, the necessity and the possibility of centralized control of production and application of the management principles which prevail under socialism (democratic centralism, efficiency, linking of branch and territorial development, etc.) develop.

To achieve this process of control, it becomes necessary to establish standard systems for summarizing, recording, analyzing and controlling statistical, accounting and financial data and that pertaining to planning, as well as methods, procedures and even organizational and economic policies which normalize the relations of all the elements making up the national economic system (bodies, enterprises, budget units, etc.).

In our country this role is played by:

- the economic management and planning system, as the guiding element, and
- the subsystems which make it up, some of which are:
  - the national accounting system;
  - the national statistical information system;
  - the national collection and payment system, etc.

In this way, the possibility of standardizing the procedures, methods, etc., pertaining to a given function, activity or task of socio-economic goals on the same structural level within the national economy (global, branch and enterprise or national, provincial and municipal) is created.

We can call this normalized complex "standard functional elements" and as their main characteristic we might cite their capacity to define similar management functions for socio-economic goals which have certain analogous structural-organizational characteristics.

The standard functional element is classified on the basis of the structural and territorial level within the national economy in one of two groups:

- global, branch and enterprise; or
- national, provincial and municipal.

Their basic aspects vary as a function of their classification.

This classification, however, provides criteria for drafting typical solutions on each one of these levels, with a view to resolving the complex problem of data processing.

#### Standard Structural-Organizational Elements

The existence of standard structural-organizational elements (SROE) is an indispensable condition for the definition of standard functional elements. These elements develop with the progressive normalization of the organizational structures for data addressing purposes with similar levels and technical-productive characteristics.

This gradual normalization guarantees that the organization for data addressing purposes is standardized, thus making it possible to carry out joint functions, procedures, activities etc.

Naturally, this normalization is conditioned by various basic aspects:

- the technical-productive peculiarities of each data addressing goal;
- the activity levels reached;

- the branch productive classification;
- the territorial and structural location within the national economy;
- the human resources to be used in the organization;
- the physical distribution of its departments; and
- the economic levels reached for some of its basic resources (capital assets, turnover funds, etc.).

Through an overall analysis of these factors, and within the limitations they themselves imposed, it has been possible to classify the goals of data addressing in order to propose normalized organizational structures. Thus we have model structures for service, housing, technical-material supply, construction, transportation and related services, industrial and other enterprises.

The same is the case with branch, global, territorial and other bodies.

The standardization of the structural-organizational elements is more limited than that of the functional elements, because their design depends on a larger number of factors. However, it is possible to achieve a high level of standardization, as can be seen from an analysis of the organizational structure of the data addressing goals which make up the national economy.

An example of these structures will be provided in this work, representing an industrial enterprise with a noncontinuous production process, oriented toward machine construction, which can be regarded as an EMT.

### Standard Computing Elements

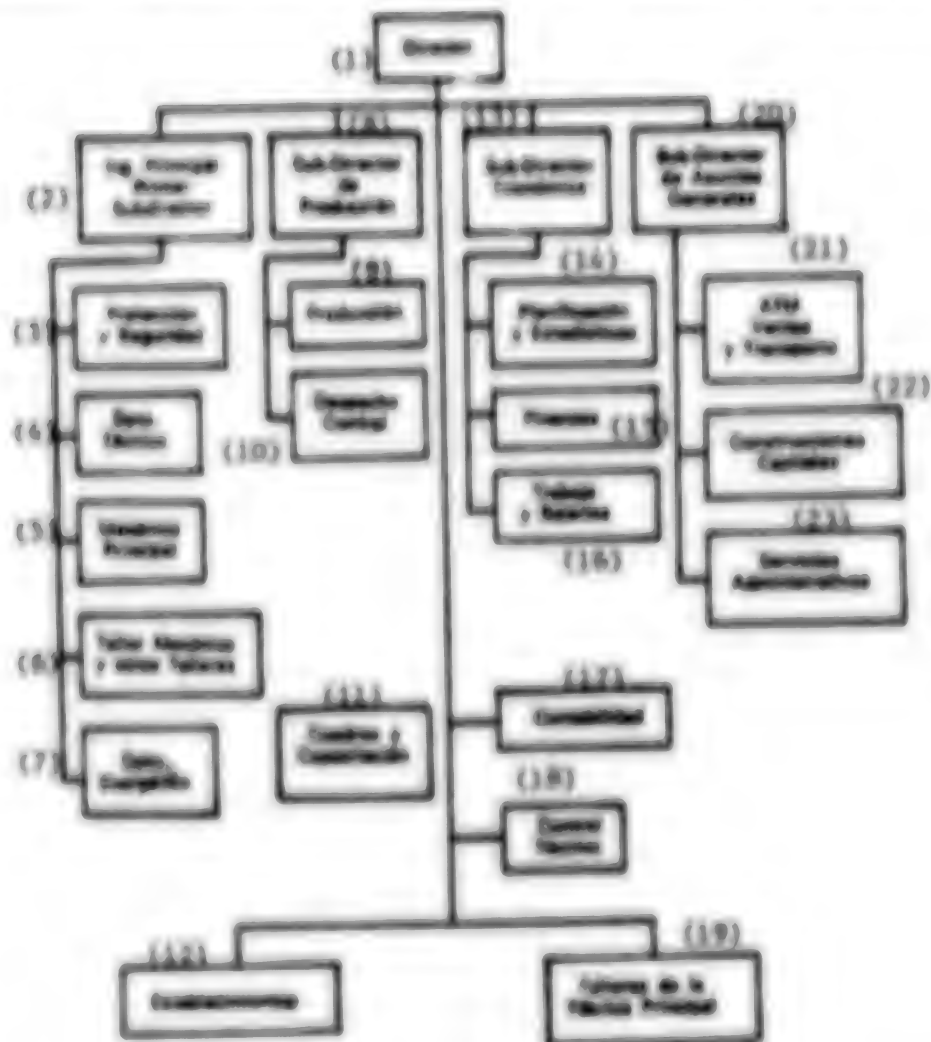
In our country, with the development of domestic production of minicomputers, the necessary technical base for the realization of what we might call standard computing elements has been created. This is nothing but a whole complex of technical means (computers, peripheral equipment, etc.), as well as the basic software (functional system, utilization programs, card indexing systems, etc.) which may be used as technical support for the automated systems for a complex of data addressing goals with some different characteristics.

This complex of technical means must have (and in fact has, in our case) enough flexibility to be adapted to various types and sizes of data addressing goals, so that basically the equipment necessary for each of these types can be defined, in terms of the volume of data to be processed, first of all, and secondly, the requirements for the making of functional decisions.

An aspect which is important for guaranteeing the modular variation from one equipment variant to another is the necessary compatibility between operational systems on different levels. This compatibility should be guaranteed at a minimum for the programming languages available, with a view to permitting interchangeability in the language source of the applied programs being used in the configuration being replaced, and in the case of standard designs for card index labeling and recording codes available, in order to avoid tedious conversion work.

Figure 1

Standard Organizational Structure of an Industrial Enterprise



Key

- |  |  |
|--|--|
| 1. Director                                | 12. Establishments   |
| 2. Main engineer, first assistant director | 13. Assistant economic director                              |
| 3. Protection and safety                   | 14. Planning and statistics                                  |
| 4. Technical department                    | 15. Finance  |
| 5. Chief mechanic                          | 16. Labor and wages  |
| 6. Mechanical and other workshop           | 17. Accounting   |
| 7. Energy department                       | 18. Technical control  |
| 8. Assistant director of production        | 19. Main plant workshop                                      |
| 9. Production                              | 20. Assistant general director                               |
| 10. Control dispatch                       | 21. ATW [Military Technical Supply] sales and transportation |
| 11. Cadres and training                    | 22. Capital construction                                     |
|  | 23. Administrative services                                  |

Naturally, although there are some of the basic technical criteria, there is another limitation which the ECT to be installed may have. It is the economic criterion, i.e., the financial potential the goal of data addressing has for the purchase of one equipment variant or another.

### Standard Application Elements

On the basis of what has been said above, we can say in summary, among other things, that:

- a. The SAD of an enterprise can be divided into functional, support and hierarchical subsystems.
- b. Some of the functional subsystems can be regarded as standard functional elements (EFT) on the enterprise level.
- c. The existence of the standard structural-organizational element (EEO) is linked with the EFT to make possible a high level of standardization in the method of undertaking tasks.
- d. The availability of a series of computing equipment with its highly compatible software base--the ECT--guarantees the possibility of resolving many tasks in data addressing goals of different magnitudes in standardized fashion.

The four factors mentioned above make it possible to establish the so called standard application elements, which form a part of the responses provided to the existing problem complex related to the shortage of experts in the SAD and computer fields, the long planning time required and the high cost involved in the designing of computer systems.

The standard application element (EAT) requires for its development the existence of the EFT, ECT and EEO. Its function is to automate an EFT or part thereof, with a view to use for those data addressing goals on a given level which have among their own subsystems and functional tasks those linked with this EFT (see Fig 2).

The standard application elements (EAT) are made up of various components:

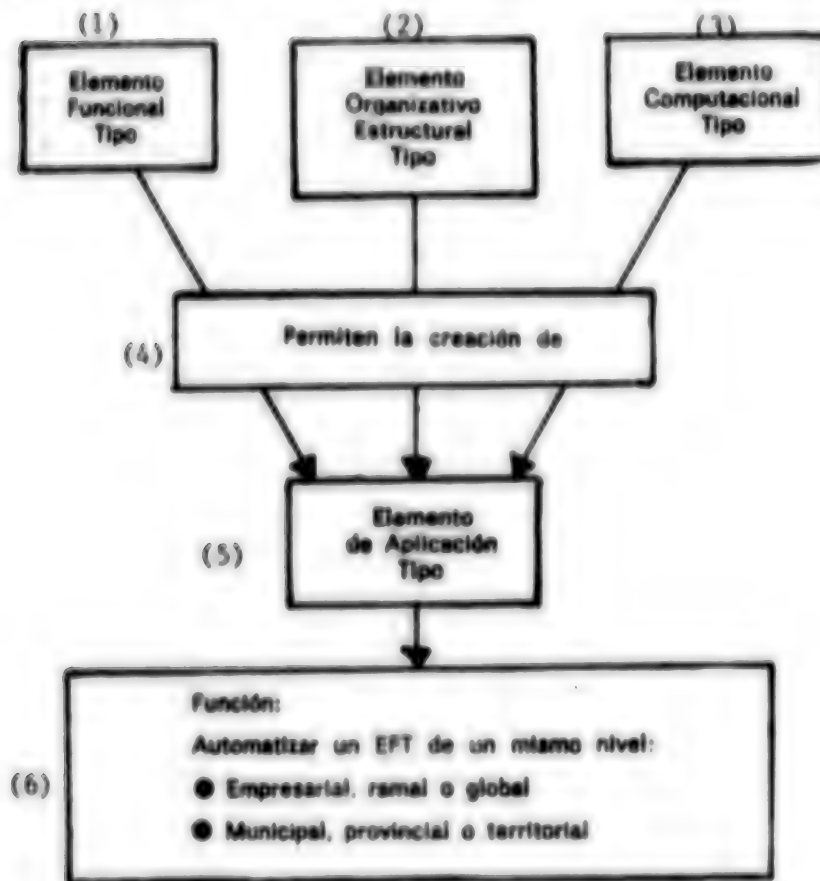
- Functional: These are the elements which reflect the economic-organizational essence of the work being automated. They may be the totality of an EFT or a part of it.
- Support: These are subdivided, similar to the SAD: mathematical, data, organizational, cadre, juridical and methodological support. Technical support is also included with these, although it must be viewed from another angle since it is not designed as a part of the EAT.

The support components are precisely those which characterize an EAT, since the functional components exist independent of them. They are the support components, and the way in which they are designed and constructed gives the EAT special characteristics and differentiates them from a particular computer application designed to be used for a specific data addressing goal.



Figure 2

Linking of the Various Standard Elements



1. Standard functional element
2. Standard organizational-functional element
3. Standard computing element
4. Allow the development of
5. Standard application element

6. Function: to automate an EFT on a given level:
  - Enterprise, branch or global;
  - Municipal, provincial or territorial.

Some of these characteristics are:

a. They may be used, either in their original form, based on parametric specifications, or after the modification of some of their modules (replacement, change or elimination) for data addressing goals with different economic, technical and productive characteristics, provided that these goals share the same structural and territorial level (see the classification of the EAT in this article).

- b. They may be used with a certain independence of equipment where their programs are run. In other words, within the framework of the compatibility of the ECT, it is possible to move from one configuration variant to another.
- c. Documentation for the users (whether computer experts or not) can be utilized over a broad range of different levels of experience and knowledge.
- d. They can be readily adapted to the natural development which the data addressing goal undergoes due to the action of the environment.
- e. They tend to modify the existing procedures and the complex of documents used for the data addressing goal minimally, as compared to EFT.
- f. They have a high level of flexibility in data support. This must be seen in terms of the possibility of variations in storage facilities, data input and output apparatus, input and output documents, the task, etc.

From a physical point of view, the EAT are made up of a complex of MCE programs and the documentation necessary for their use.

#### Classification of Standard Application Elements

Standard application elements can be classified from various points of view:

- a. By the territorial nature of the goals of data addressing for which they are intended (municipal, provincial and national).
- b. By the place the data addressing goal occupies within the national economic structure (enterprise, branch and global).
- c. By the type of application intended (scientific or technical calculation and economic management).
- d. By the level on which they will be located within the SAD (subsystem, complex of tasks, tasks, programs and subroutines).

The categories set forth can intercept each other: A given EAT designed for one enterprise may be limited to use in enterprises within one branch or may be capable of interbranch use.

#### EAT Components--Mathematical Support

Mathematical support for an EAT involves a complex of algorithms and economic-mathematical models and the MCE programs which guarantee the solution of the data addressing and processing tasks.

This should be characterized, among other things, by the following:

- a. The use of universal languages for programming, such as COBOL, FORTRAN, BASIC, PASCAL, etc.--such as to allow a high level of interchangeability of different equipment.

b. The programs must be developed using techniques allowing their modular construction.

The use of methods such as logical programming, modular programming, or programming by means of systematic conditioning of the functions is desirable, since they allow:

- the modification of subroutines of the programs without interfering with their basic structure, within a certain range.
- the more efficient use of the MCI.
- the division of complex tasks among various programmers.
- the joint use of the EAT in the "subroutines" category.

c. Program generators must be constructed which will make it easy to resolve common functions within the field of economic management, scientific calculation or technical designing.

In the management field, some of these functions are:

- validation of input data;
- classification of card indexes;
- interpolation of card indexes;
- updating of card indexes;
- consolidation of card indexes; and
- production of tables.

d. Program design should be undertaken with a view to the possibility of drafting parametric specifications such that different situations can be resolved using subroutines with common instructions.

e. Subprograms should be used which allow a saving in programming time, through the use of subroutines category EAT.

f. The design of the program change should also be modular, so that it is possible to add programs and eliminate a part of them given certain situations.

To achieve the preceding it must be borne in mind that:

- There is a complex of programs the use of which is required within the EAT, because they carry out the basic algorithmic functions and failure to utilize them would entirely destroy the stability of the system.

This group of programs is generally those which update the basic card indexes in the system and produce the minimal data essential for the making of decisions pertaining to a given function.

There is another sample of programs which, although they are necessary for optimal solution of the data addressing tasks, are not essential to it, either because the data addressing goal has different characteristics, because the organizational conditions for their use has not been established, or again because of other unforeseen reasons.

This characteristic of the chain means that the programs carry out homogeneous and isolated functions.

Care must be taken also to avoid the temptation to divide the system excessively into very small programs because this would increase operating time. This peculiarity is very closely linked with the data support of the EAT.

Based on the characteristics described, the way in which the mathematical support of the EAT should be organized can be represented graphically as in Fig. 1:

Figure 1  
EAT Program Chain



1. Programs for processing data input
2. Programs effecting the basic calculations and updating the minimal data base essential for the EAT
3. Programs making the indispensable output possible
4. Other calculating and updating programs
5. Programs making the remaining output possible

## EAT Component--Data Support

The data support for an EAT is basically defined as the complex of card indexes used, the data involved, the documents and codes used, and the data flow through the various parts of the man-machine system.

The design of the data support is closely linked with the other EAT components, to the point that it both conditions and is conditioned by them. When this design is properly carried out, it guarantees the data flexibility which the EAT must have and makes it possible to extend its useful life in relation to certain types of changes the EFT may undergo. Because of this, an effort should be made to provide a high degree of flexibility.

In addition, the importance of data support appears even greater if we take into account the fact that any data addressing process is a data processing process.

In subsequent paragraphs we will describe some of the outstanding characteristics of the aspects seen in data support design.

### Design of EAT Codifiers

The codes to be used for an EAT are of two types:

- defined by the environment: These codifiers are used by the EAT, but planners have little ability to influence them, but must use them as such and as designed in the majority of cases.
- defined by the EAT: Concerning these codes, the planner can not only exert an effect but can design them to satisfy all of the needs of the EAT. Possible unforeseen needs of future customers must be taken into account, so that it is desirable to leave unutilized capabilities for possible expansion of the code. Also, interaction with other EAT should be foreseen in order to avoid duplication and inconsistency between the codes dealt with.

### Data Making Up the EAT

Data is the raw material used for the production of processed information.

The complex of data pertaining to a given functional activity, and its proper logical and physical organization, make up the "image" of the status of this activity at a given moment.

Generally, this data is organized on the basis of:

- the requirements of the EFT; and
- the requirements of the EFT environment at a given moment.

However, it is possible that the natural development of the data addressing goal or its environment will affect the EFT, and it will be necessary to add new data or eliminate some from the original complex (in the sense of new "types of data").



Planners must foresee this natural development and try to avoid the obsolescence of the EAT insofar as possible, by reserving article and card index areas destined for possible expansion, and including data in the system for possible future use, even though it is not being used at the time the EAT is set up.

Finally, the differences between the values in various types of data for different data addressing goals must be foreseen, with a view to ensuring the physical capacity of the card indexes to allow the storage of the data values of future users, as well as the inclusion of those with higher data values, without need for allowing interference with the stability of the system.

#### Card Indexes Used

The complex of card indexes used in the EAT can be subdivided into two subcomplexes: those exclusively used for an EAT and those jointly used for more than one EAT or other specific applications.

The establishment of these two subcomplexes of card indexes makes it possible for us, on the SAD and EAT level, to carry out the systematic integration of the data and card indexes to be used, on the basis of a functional grouping criterion, and to reduce repetition and inconsistency in the data.

An effort should also be made to provide the greatest possible flexibility in the card indexes, within the potential of the functional computer system, including in this respect:

- variability in the structure of the section;
- variable length for it and the block;
- variable length and arrangement of the fields within the section; and
- physical organization of the card index.

#### Design of the Documents

The documents utilized in an EAT may be of various types:

- Those designed for the use of the EAT: This type of document presents no major problems, since the design is the task of the EAT planners, such that the suggestions to be made can be limited to following the rules set forth in specialized manuals.
- Those designed for the EPT (including the environment external to the data addressing goal): Their characteristics derive from the fact that the documents normed according to the official methodology are not designed specifically for automatic processing. The planners must then redesign these documents in such a way as to meet the requirements for those originally designed and the EAT. The documents are the least problematical aspect of an EAT: their formal redesigning is always possible without causing difficulties of a major sort (modification of programs, card indexes, etc.). There is a tendency, however, to orient the work of the EAT

toward the design of card indexes, rather than the design of documents (both input and output) to make it possible for the user to adapt his input and output format to the content of the card indexes.

#### Data Flow

The design of the data flow must be carried out on the basis of the level of standardization of the EEOT. As this level of standardization is always lower than for the EFT, the data flow must be designed such as to have a high degree of flexibility with a view to its adaptation to different situations.

Generally, there are minimal data flow requirements among the programs making up a chain, and minimal data flow requirements for the information which must reach the computer center.

The remaining components of the EAT have to do with organization, legality, methodology and cadres, and are of great importance to its development.

However, due to the natural space limitations of this work, we must omit the commentary pertaining to them, due to the fact that they develop in rather analogous fashion to their counterparts in the SAD. We prefer to devote greater attention to the more specific aspects of the EAT, such as mathematical and data support.

#### Planning of the SADE on the Basis of Standard Application Elements--Integration of the EAT

The planning of the SADE on the basis of the EAT can be approached from the following angles:

- Design of a general integral concept of an SADE for an enterprise of an industrial type;
- Determination, within this integral concept, of the level of standardization for each of its subsystems (determining the EFT and the EEOT); and
- Designing the EAT on the basis of the EFT and the EEOT, and definition of the scale of use for the ECT.

The design of the general integral concept can involve a series of tasks, the main ones being:

- a. Selection of various enterprises in order to make a study of their characteristics.
- b. Study of the enterprises mentioned.
- c. Drafting of the general integral concept of the SADE, based on an approach to all the elements analyzed as systems.

This approach is defined by its organizational, empirical and pragmatic characteristics.

The functional subsystems an enterprise generally has and which can be considered within this integral concept are:

- technical-economic planning;
- operational management and control of production;
- technical-material supplies;
- labor force;
- technical preparation for production;
- accounting and finance;
- marketing and sale; and
- maintenance.

The level of standardization is established on the basis of this group of subsystems, with a view to undertaking the design of the EAT. The level which can be established is as follows:

- Technical-economic planning: standardization limited to similar enterprises within a branch. Usable within the same EAT of the "program" or "task" category.
- Technical preparations for production: characteristics similar to the above.
- Technical-material supply: standardization on the enterprise level, nationally. Probable intersectorial use.
- Marketing and sale: standardization on the enterprise level, nationally. Probable intersectorial use.
- Operational management and control of production: without standardized characteristics. Usable within the same EAT of the "program" or "subroutine" category.
- Labor force: standardization on the enterprise level, nationally. Probable intersectorial use. Tasks such as drafting the payroll can be regarded as having branch standardization.
- Maintenance: standardization on the enterprise level, nationally. Probable intersectorial use.
- Accounting: standardization on the enterprise level, nationally. The task of determining production costs, which has no standardized characteristics, is excepted.

Once this step has been taken, the design of the EAT can be undertaken on the basis of the priority criterion established.

#### Planning the SAD on the Basis of Standard Elements--The Common Data Base

Another of the directions which should be pursued in the work of integrating the EAT is the establishment of a complex of card indexes for the purpose of storage of data of a permanent nature and which can be consulted by more than one EAT of the "subsystem" category.

Another of the characteristics of this common data base is the effect it has on reducing data duplication.

Some of these card indexes might be:

- material and product nomenclature;
- material consumption norms;
- labor norms;
- accounting categories;
- table of organization (personnel);
- clients and suppliers; and
- fixed capital.

These are not all of the permanent card indexes an SAD might have, but those in the most common use for the majority of subsystems.

#### Economic Benefits to be Obtained from the Use of EAT

The use of EAT provides a whole series of social and technical benefits, in addition to the economic ones. In this work we will mention only the latter, analyzing them in two basic categories.

##### Benefits to the Enterprises Which Introduce Them

The economic benefits which will be obtained on this level will be of two types:

- a. On purchase: It is more economical to purchase and adapt a standard application element than to design a specific solution.
- b. Short term benefits: These are obtained from the immediate application of EAT. These benefits will be equal to the savings achieved from the moment the EAT goes into use until the presumed time when a specific solution, had one been designed, would have been put into use.

## Benefits for the National Economy

On the national economic level, benefits will be obtained from the saving in the social labor necessary to design the SADE. These benefits can be measured by the sum of the benefits for each of the enterprises which has applied EAT in its SADE planning.

The above fully justifies the use of EAT in SADE plans, to which should be added such factors as the shortage of experts in our branch, the need to effect the rapid development of SADE plans, as well as the need to perfect data addressing in view of the urgent requirements of technical development.

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5157

CSO: 3010/1458



## BRIEFS

**DAAFAR UNIT AWARDED**--There was a ceremony at DAAFAR [Antiaircraft Defense and Revolutionary Air Force] Military Unit No 3621 to receive the UJC [Union of Young Communists] Banner of Honor which the national committee presented to the local committee of that unit for its meritorious work since it was founded in 1965. First Lt Gabriel Ormas Bruna, secretary general of the local organization, carried this valued incentive. He had received it on 3 April from the hands of Commander in Chief Fidel Castro. For 4 consecutive years, the unit has been an FAR Vanguard. The work of the local committee has been an important factor in the success achieved, including the magnificent grades obtained in the different evaluations. The organization also does consistent work internally, writing and fulfilling its work plans. It does a systematic job of training the youths who join the unit and many other tasks. During the ceremony, Lt Gabriel Ormas presented the remains of a U.S. U-2 airplane shot down by DAAFAR to comrade Carlos Lage, second secretary of the national committee of the UJC. Others at the ceremony, in addition to comrade Carlos Lage, included: Col Santiago Hernandez Caceres of the Main Political Office of the FAR, other members of the national committee of the UJC and FAR chiefs and officers. [By Juan V. Figueroa] [Text] [Havana VERDE OLIVO in Spanish 17 May 81 p 53] 7717

CSO: 3010/1464

## PL STATES ELECTORAL CAMPAIGN POSITION

San Pedro Sula LA PRENSA in Spanish 19 Jun 81 p 64

[Statement by the Liberal Party to the people of Honduras, dated in Tegucigalpa, 18 June 1981: "National Party Promoting a Coup d'etat"]

[Text] The Liberal Party appears before the people of Honduras.

Citizens:

Comrade Liberals: we shall attempt to state, in a brief summary, the position of the PL (Liberal Party) with regard to the election campaign, basing ourselves both on what is said in this statement and on other aspects that may have been omitted in its preparation.

First: The Liberal Party won the 20 April 1980 election with a margin of 75,000 votes, in spite of the fact that the National Party used, without the slightest political shyness, all the advantages that it had through the judiciary branch and the executive branch and the municipalities. Advantage-taking represented by the following:

Facilitating National Party members in obtaining documents for registration. In many cases these documents were false.

Sectarian attitude on the part of law-trained judges, mayors and municipal secretaries, preventing Liberal Party members from obtaining registration documents.

Full-time devotion to political activities by political governors, education supervisors, state civil servants, executives of autonomous agencies, and so on.

Use of government vehicles and vehicles belonging to other state institutions in the political campaign.

Use of equipment, secretaries and lower-level personnel for preparing the documentation required for replacement of birth certificates and for other political activities.

Diversion of large sums of cash to cover expenses in the election campaign. When the National Party lost the election with all those advantages, it was on display to

national and international public opinion as a party with very little popular clout. This situation can be explained, because this party is the one that has done greatest harm to Honduras.

Second: With the establishment of the provisional government, the National Party loses hegemony of the executive branch. Likewise, and as a result of the election of the new Supreme Court of Justice, arbitrary law-trained judges were removed and with the promulgation of Decree No 7 of the ANC [National Coffeegrowers Association] municipal corporations and the CM [Municipal Corporation] of the DC [Central District] were set up. With this, the PN [National Party] loses many of the advantages that it enjoyed and abused for the 20 April 1980 election and, what is more important, the barriers preventing Liberal Party members from obtaining the requisite documentation for registration in the National Electoral Census were eliminated. Therefore, it can be stated categorically that not less than 65 percent of new registered voters are in the Liberal Party of Honduras. Consequently, it is easy to estimate that, on 29 November 1981, the PL will win over the National Party by more than 200,000 votes.

Third: The Liberal Party of Honduras is definitely interested in purging voter registration. Its activities both in the TNE [National Electoral Court] and the other electoral bodies show this to be so. The attitude of the PN is very different. It opposes, within the TNE, exclusion of voter registrations made with birth certificates issued by law-trained judges belonging to the National Party and for which there either are no records or there are serious irregularities. Discovery of these fraudulent election registrations was made by checking committees consisting of members of the four parties registered.

The PL will continue to struggle so that every voter registration made fraudulently and detected by the checking committees can be excluded from registration. What happened in the previous stage in which elections were held without having made the pertinent exclusions will not be allowed.

Fourth: The Armed Forces have a commitment to the people of Honduras to guarantee freedom of elections on 20 November 1981, just as they did in 1980. This commitment has been reiterated by Gen Policarpo Paz Garcia in his dual capacity as president of the Republic and head of the Armed Forces and it has been authenticated by the combat unit commanders. The PL places absolute credence in this commitment by the Armed Forces and it also promises to strive to have the election campaign take place at a high ethical level in which there is no place either for insults or slander, or diatribes, because it believes that the situation of democracy in CA [Central America] has never been so precarious and the PL has an unavoidable duty, as a majority party and as an institution governed with the greatest responsibility, to contribute to preserving our country from the calamities to which the other sister countries are being subjected.

Fifth: The PL condemns the insulting campaign of the PN and appeals to the Honduran patriotism of its leaders not to contribute to an alteration of the country's peace and tranquility. It also realizes that the virulent campaign of the PN results from despair over the size of its defeat and the loss of power to which they are so attached.

Sixth: The PL denounces the irresponsible maneuvers by the leaders of our traditional adversary in attempting to discredit the electoral process and it determines that the following are the objectives pursued by the imminent [sic] defeat:

To interrupt the country's democratization process, in order to follow any situation that may occur with which they will continue in office.

To save the present leadership of PN by justifying the defeat.

Seventh: In conclusion, we wish to state expressly that the PL holds our traditional adversaries responsible for any misfortune that may happen to Honduras, resulting from that irresponsible campaign based on fraud that has disappeared with this statement and we dare ask them, for the sake of national tranquility and social peace to desist from that attitude of arrogance and haughtiness in the understanding that the country's high interests are above the interests of any political party.

Tegucigalpa, DC, 18 June 1981.

10,042

CSO: 3010/1421

## BRIEFS

AID FOR HYDROELECTRIC PROJECT--Three loan agreements for approximately 39 million lempiras were signed by the governments of Honduras and Switzerland and by a bank consortium in Switzerland, for the purpose of promoting the nation's economic and social development, as well as implementation of Lot VII-4 and turbines for the El Cajon Hydroelectric Project. The capital goods and services included in that lot are four main turbines, two service turbines, four main valves, water-cooling systems, water-drainage systems, transportation system and oil and supervision of installation and assembly. These loans were granted to the government of Honduras under very favorable financial conditions and were signed by the acting minister of Finance of Public Credit, Hernan Galeas, and the general manager of the National Electricity Enterprise, Engineer German Aparicio, for Honduras, and for the government of Switzerland by the ambassador in our country, Max B. Dahinden, and by Franz Jaggi for the Swiss Bank Union. [Text] [Tegucigalpa EL CRONISTA in Spanish 25 May 81 pp 1, 10] 10,042

CSO: 3010/1421

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